

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

CITY OF LA MARQUE, TEXAS

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2010

PREPARED BY

THE DEPARTMENT OF FINANCE

CITY OF LA MARQUE, TEXAS

CITY OF LA MARQUE, TEXAS
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Introductory Section

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June 28, 2011

Honorable Mayor and
Members of the City Council
City of La Marque, Texas

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report of the City of La Marque, Texas, for the fiscal year ended September 30, 2010.

This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City financial affairs have been included.

The financial statements of the City of La Marque have been audited by Null-Lairson, P.C. Certified Public Accountants in order to provide reasonable assurance that the financial statements of the City of La Marque for the fiscal year ended September 30, 2010 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The Independent Auditor's Report reflects an unqualified opinion that the City of La Marque's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The Independent Auditor's Report is included as the first component of the financial section of the report.

THE REPORT

This Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The introductory section includes this transmittal letter, a listing of the City Officials and an organizational chart of the City. The financial section includes a Management and Discussion Analysis (MD&A), basic financial statements and combining and individual fund statements and schedules, as well as the independent auditors' report on the basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City of La Marque's MD&A can be found immediately following the report of the independent auditors. The statistical section includes financial and demographic information, usually presented on a multi-year basis that is relevant to a financial statement reader.

The Financial Section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.

Honorable Mayor and
Members of the City Council

The financial reporting entity (the government) includes all funds of the primary government, the City of La Marque, as well as its component unit. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The La Marque Economic Development Corporation is reported as a discretely presented component unit.

CITY PROFILE

Location

The City is located in the Gulf Coast area of Texas just north of Galveston. La Marque is only 45 miles south of Houston and less than 20 miles south of NASA's Johnson Space Center, and is readily accessible via the Interstate Highway 45 corridor. The City encompasses 14.8 square miles with a population of approximately 13,805 and shares its boundaries with Texas City and Hitchcock.

Organization

Originally part of the Republic of Texas Land Grant, the area prospered along with the growth of the petrochemical industry in Texas City, and was incorporated in 1953 under the provisions of the Home Rule City Act. The City operates under a Council-Manager form of government comprised of a Mayor and four council members, and is responsible for enacting legislation in the form of ordinances, resolutions, and regulations governing the City. The City has an Economic Development Corporation, Building Standards Commission, Clean City Commission and Planning Commission. The City Manager is the chief administrative officer of the City, and is responsible for enforcement of laws and ordinances, as well as appointment of various department heads of the municipal organization.

Services Provided

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City can provide at the least cost. Major services provided under general government and enterprise functions are: police, fire and ambulance, streets, water and wastewater utilities, solid waste, code enforcement, parks and recreation, public library, public improvements, community development, planning and general administrative services.

Accounting System and Budgetary Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls as deemed appropriate by the City Manager. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by the City Manager. All internal control evaluations occur within the above framework. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding (1) safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The City believes that its internal accounting controls adequately safeguard and provide reasonable assurance from improper recording of financial transactions. The City's accounting controls are designed to provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned duties.

Honorable Mayor and
Members of the City Council

The City's annual budget is the basis for La Marque's financial planning and control. All departments submit requests for appropriation to the City manager. These requests are the starting point for developing a proposed budget. The City manager then presents this proposed budget to the City council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of La Marque's fiscal year. The appropriated budget is prepared by fund, function, department and category. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds, other than general fund, with appropriated annual budgets, this comparison is presented in the nonmajor governmental funds subsection of this report.

Activities of the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds are included in the annual appropriated budget. Budgetary control (the level at which expenditures cannot legally exceed appropriations) is maintained at the departmental level.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

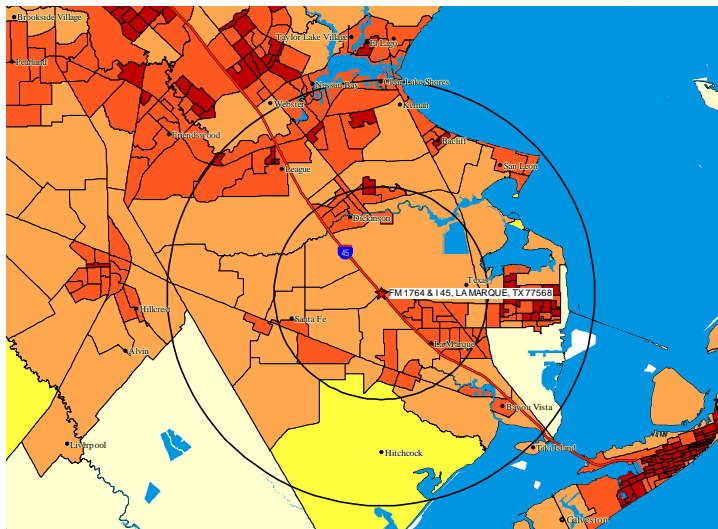
La Marque is located on the upper Texas coast of the Gulf of Mexico along the Interstate 45 corridor in south central Galveston County. La Marque is twenty minutes south of the city of Houston and 15 minutes north of Galveston Island. The City has traditionally been a bedroom community, but is now experiencing tremendous growth in both residential and commercial areas. The educational system includes four college-level institutions: The University of Texas Medical Branch at Galveston, College of the Mainland of Texas City, Galveston Community College at Galveston, and the Texas A & M Marine Institute at Galveston. The City is also home to Kay Bailey Hutchinson, the first woman to serve as a United States Senator from Texas.

Local Economy

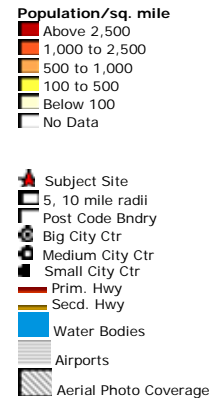
The western portion of the city along Interstate 45 is leading the explosive commercial development, which started several years ago with the building of Gulf Greyhound Park, touted as the world's largest greyhound race track. The neighboring area is now home to the 226,000 square foot Wal-Mart Super Center, which opened in April 2003. The Wal-Mart opening has spurred other commercial developments such as La Marque Center, Bay Park Shopping Center, and La Marque Crossing Shopping Center, all housing a variety of specialty retail stores, restaurant and entertainment facilities.



Honorable Mayor and
Members of the City Council



Legend



Source: Applied Geographic Solutions © 2005.



Future Economic Outlook

The total number of new subdivision lots platted in La Marque topped off at 2,450 in seven subdivisions with home prices ranging from \$115,000 to \$215,000.

Additionally, the 2010 county population increased by 16.5% over the 2000 census. This region also boasts a high educational attainment with 63% of the population over 25 having some college or more attributing to the average income of \$43,119, median household income of \$55,883, and per capita income of \$40,711.

Specifically, La Marque's percentage of owner occupied housing units is 73%, which is 5.4% greater than Galveston County as a whole.

Long-term Financial Planning

The City of La Marque's growth has been steady over the past several years. It is anticipated that La Marque will expand rapidly when the housing market recovers from the current economic downturn.

La Marque's large amount of developable acreage and the commercial developments that continue to move south will soon converge creating an economic jolt. The City also anticipates a continued natural progression of movement from Galveston Island as the recovery process moves forward. La Marque will also be getting the "Tejas" building back on the tax roll when it changes from public to private ownership.

Street improvements and public transit are on the horizon as well. The Cedar Drive project is ongoing from I-45 to City Hall. Effective June 15, 2009, La Marque Connect began operation in La Marque. Connect Transit is a bus service that will stop at various retail stores, City Hall, and the Galveston County Health District. This new transit service will create jobs with benefits, keep federal and state dollars in the community, and continue opportunities for infrastructure improvements.

La Marque will also continue to improve and repair sewer lines. During the Cedar Drive project a new 12" trunk line for water will be installed. With these types of major improvements to the infrastructure, La Marque is setting the table to handle the anticipated growth for years to come.

Honorable Mayor and
Members of the City Council

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in certificates of deposit, U.S. Agency securities, mutual funds and investment pools. Maturities of these investments range from one day to twelve months. Interest rates on these investments range from 0.07% to 3.16%. The primary objectives of the City's investment policy, in priority order, are safety (preservation of capital), liquidity (to provide adequate and timely working funds), and return on investment (obtaining a rate of return commensurate with investment risk constraints and cash flow needs).

Risk Management

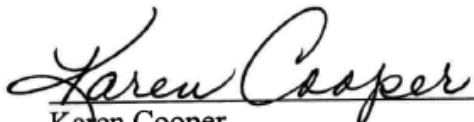
The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. In addition, a designation for self-insurance has been established in the General and Enterprise Funds to provide a designation of funds to cover the risk of loss for physical damage to vehicles. This designation is not, nor is it intended to be a traditional self-insurance program. It is rather a designation of funds established to meet deductibles under the City's commercial insurance coverage.

ACKNOWLEDGEMENTS

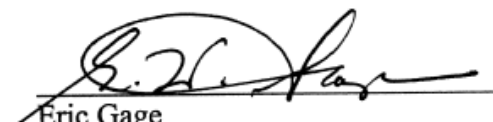
Acknowledgments

The preparation of the CAFR was made possible by the efforts of the City audit firm, Null-Lairson, P.C., along with the City Finance Department. Other departments within the City were cooperative in providing essential information to the Finance Department in a timely and professional manner and we extend our thanks to responsible persons in those departments. In addition, we thank the Mayor and members of the City Council for the responsible decisions they have made in the interest of preserving the financial integrity of the City of La Marque.

Respectfully submitted,



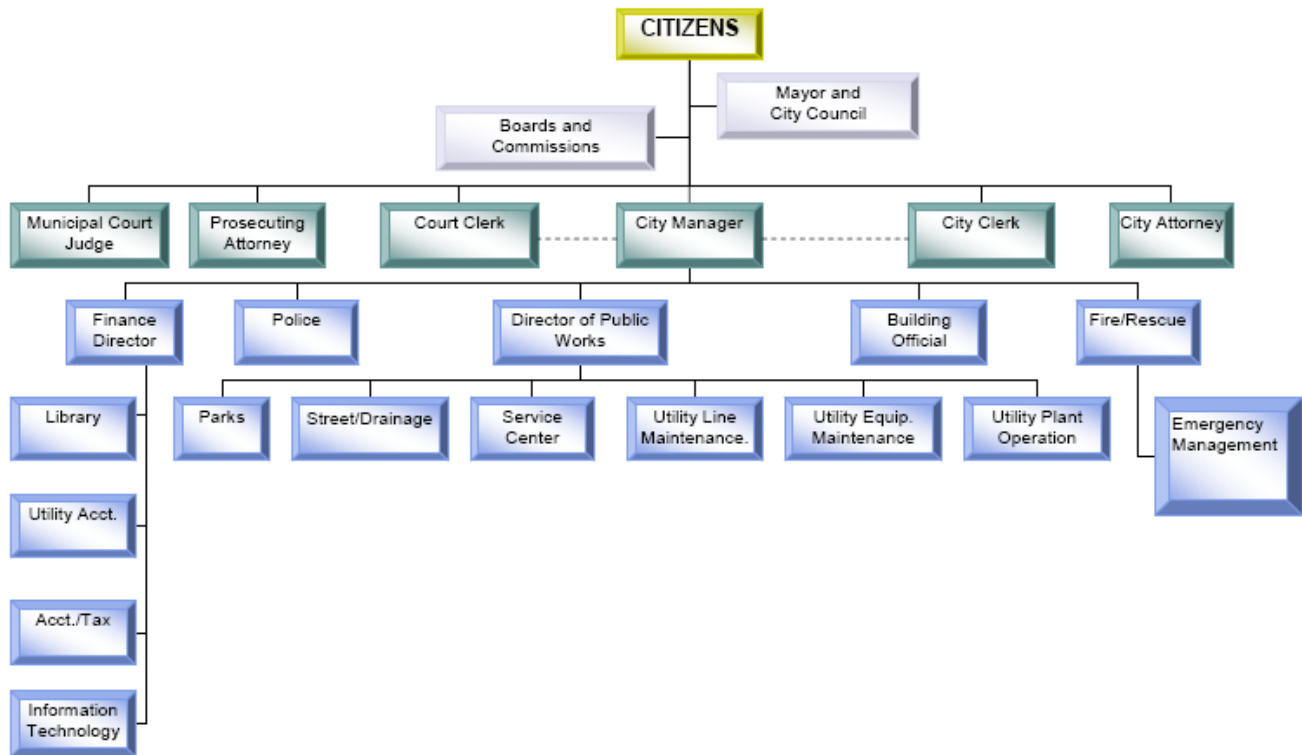
Karen Cooper
Director of Finance



Eric Gage
City Manager

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City of La Marque Organizational Chart



Revised: July 2010

CITY COUNCIL

GERALDINE SAM
Mayor

KEITH BELL
Mayor Pro-Tem

DEANIE BARRETT
Councilwoman



Set your sites on La Marque.

LARRY MANN
Councilman

CONNIE TRUBE
Councilwoman

ERIC GAGE
City Manager

Financial Section

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Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
1111 Bayou Road
La Marque, Texas 77568-4299

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Marque, Texas (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of La Marque's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of La Marque, Texas, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Marque's financial statements as a whole. The combining and individual fund statements and schedules that include: combining financial statements for nonmajor governmental funds and internal service funds; individual fund annual budgetary comparison schedules; combined schedule of investments; schedule of changes in taxes receivable; combined schedule of bonds and other long-term debt; and, debt service requirements to maturity are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections listed in the foregoing table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Null-Lairson, PC
Texas City, Texas
June 28, 2011

Management's Discussion and Analysis

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CITY OF LA MARQUE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Comprehensive Annual Financial Report, we present a narrative overview and analysis of the financial activities of the City of La Marque for the fiscal year ended September 30, 2010. Please read it in conjunction with the independent auditors' report, our letter of transmittal and the City's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of La Marque exceeded its liabilities at the close of the most recent fiscal year by \$25,842,601 (*net assets*). Of this amount, \$5,269,419 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,249,972 as a result of this year's operations.
- During the year, the City's government funds had expenses that were \$953,625 more than the \$13,533,215 generated in tax and other revenues for governmental programs (before special items). This compares to last year when expenses exceeded revenues by \$62,048. The current year expenses in excess of revenues were due primarily to expenditures in the capital projects fund as well as capital outlay expenditures in the general fund for public safety and public works.
- As of the close of the current fiscal year, the City of La Marque's governmental funds reported combined ending fund balances of \$8,196,378, a decrease of \$474,917 in comparison with the prior year.
- The General Fund ended the year with a fund balance of \$2,458,597, which is \$324,241 less than the prior year.
- The resources available for appropriation were \$688,021 less than budgeted for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of La Marque's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of La Marque's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of La Marque is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF LA MARQUE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Both of the government-wide financial statements distinguish functions of the City of La Marque that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of La Marque include general government, public safety, public works, sanitation and Urban Housing and Rehabilitation. The business-type activities of the City of La Marque include the Utility fund, Water and Sewer System Revenue fund and the Community Development Block Grant fund. The government-wide financial statements include not only the City of La Marque (the *primary government*), but also a legally separate Economic Development Corporation for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of La Marque, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of La Marque maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of La Marque adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

CITY OF LA MARQUE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Funds. The City of La Marque maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of La Marque uses enterprise funds to account for its Utility fund, Water and Sewer System Revenue fund, and Community Development Block Grant fund.. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of La Marque uses internal service funds to account for its equipment replacement and for its equipment maintenance insurance. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund and for the Water and Sewer System Revenue and Interest and Sinking Funds, all of which are considered to be major funds of the City of La Marque. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of La Marque's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of La Marque maintains one fiduciary fund, the Library Memorial Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of La Marque's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of La Marque, assets exceeded liabilities by \$25,842,601 at the close of the most recent fiscal year.

By far the largest portion of the City of La Marque's net assets (58 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of La Marque's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF LA MARQUE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

City of La Marque's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Current and other assets	\$ 11,769,452	\$ 11,147,937	\$ 4,596,730	\$ 4,900,944	\$ 16,366,182	\$ 16,048,881
Capital assets	14,588,895	11,798,146	13,678,981	14,907,119	28,267,876	26,705,265
Total assets	<u>26,358,347</u>	<u>22,946,083</u>	<u>18,275,711</u>	<u>19,808,063</u>	<u>44,634,058</u>	<u>42,754,146</u>
Liabilities						
Long-term liabilities	8,068,789	8,028,256	7,849,858	8,558,152	15,918,647	16,586,408
Other liabilities	2,205,428	1,018,046	667,382	658,570	2,872,810	1,676,616
Total liabilities	<u>10,274,217</u>	<u>9,046,302</u>	<u>8,517,240</u>	<u>9,216,722</u>	<u>18,791,457</u>	<u>18,263,024</u>
Net assets						
Invested in capital assets, net of related debt	8,753,379	8,904,959	6,157,984	6,911,560	14,911,363	15,816,519
Restricted	5,253,002	2,077,205	408,817	277,879	5,661,819	2,355,084
Unrestricted	2,077,749	2,917,617	3,191,670	3,401,902	5,269,419	6,319,519
Total net assets	<u>\$ 16,084,130</u>	<u>\$ 13,899,781</u>	<u>\$ 9,758,471</u>	<u>\$ 10,591,341</u>	<u>\$ 25,842,601</u>	<u>\$ 24,491,122</u>

An additional portion of the City of La Marque's net assets (21.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$5,269,419) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of La Marque had positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase of \$130,938 in restricted net assets reported in connection with the City of La Marque's business-type activities resulting from a reduction in transfers in from the Utility Fund to cover revenue bond debt service payments.

The government's net assets increased by \$1,249,972 during the current fiscal year due primarily to a decrease of \$1.9 million attributable to Hurricane Ike cleanup expenses incurred in the 2009 fiscal year.

CITY OF LA MARQUE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

City of La Marque's Changes in Net Assets

	City of La Marque's Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 3,089,384	\$ 3,081,359	\$ 4,114,624	\$ 4,398,458	\$ 7,204,008	\$ 7,479,817
Operating grants and contributions	3,448,907	1,975,646	41,596		3,490,503	1,975,646
Capital grants and contributions						
General revenues:						
Property taxes	3,357,784	3,401,897			3,357,784	3,401,897
Other taxes	3,445,599	4,058,745			3,445,599	4,058,745
Unrestricted grants and contributions	2,221	4,074			2,221	4,074
Special item						
Unrestricted investment earnings	13,523	78,228	3,210	42,074	16,733	120,302
Other revenue	305,611	692,328	2,514	696	308,125	693,024
Total revenues	<u>13,663,029</u>	<u>13,292,277</u>	<u>4,161,944</u>	<u>4,441,228</u>	<u>17,824,973</u>	<u>17,733,505</u>
Expenses						
General government	1,731,537	1,738,775			1,731,537	1,738,775
Public safety	5,402,425	5,739,176			5,402,425	5,739,176
Public works	2,675,651	4,508,388			2,675,651	4,508,388
Sanitation	1,351,656	1,321,865			1,351,656	1,321,865
Urban housing and rehabilitation	305,417	395,837			305,417	395,837
Interest on long-term debt	288,674	298,449			288,674	298,449
Business-type activity - Utility			4,522,486	4,313,755	4,522,486	4,313,755
Business-type activity - Water & sewer			277,661	284,118	277,661	284,118
Business-type activity - C.D.B.G.			19,494		19,494	
Total expenses	<u>11,755,360</u>	<u>14,002,490</u>	<u>4,819,641</u>	<u>4,597,873</u>	<u>16,575,001</u>	<u>18,600,363</u>
Increase (decrease) in net assets						
before transfers	1,907,669	(710,213)	(657,697)	(156,645)	1,249,972	(866,858)
Transfers	175,190	67,565	(175,190)	(67,565)		
Increase (decrease) in net assets	2,082,859	(642,648)	(832,887)	(224,210)	1,249,972	(866,858)
Net assets - October 1 (beginning)	13,899,781	14,542,429	10,591,341	10,815,551	24,491,122	25,357,980
Prior period adjustment	101,490		17		101,507	
Net assets - Beginning (As restated)	14,001,271	14,542,429	10,591,358	10,815,551	24,592,629	25,357,980
Net assets - September 30 (ending)	<u>\$ 16,084,130</u>	<u>\$ 13,899,781</u>	<u>\$ 9,758,471</u>	<u>\$ 10,591,341</u>	<u>\$ 25,842,601</u>	<u>\$ 24,491,122</u>

Governmental Activities. Governmental activities increased the City of La Marque's net assets by \$2,082,859. Business-type activities generated a decrease of \$832,870 resulting in a combined net increase of \$1,249,972. Key elements of this increase are as follows:

- General government operating grants and contributions increased \$1,473,261 (74.6 percent) due primarily to intergovernmental revenue from Galveston County.
- Sales tax revenue decreased \$562,761 as compared to the prior year.
- Public works expenses decreased \$1,832,737 (41.5 percent) due to cleanup costs resulting from Hurricane Ike in the prior year. However, these costs were reimbursed by FEMA.

Business-type Activities. Business-type activities decreased the City of La Marque's net assets by \$832,870. Key elements of this decrease are as follows:

- Charges for services for business-type activities were sufficient to cover operating expenses excluding depreciation of \$1,250,239. Although rates are appropriate to generate sufficient cash flow; an increase in personnel costs of \$95,936 contributed to the current year net loss.
- Charges for services decreased from the prior year by \$283,834.

CITY OF LA MARQUE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Maintenance and repairs increased \$87,862 as compared to the prior year.
- Supplies increased over the prior year by \$24,739.
- Investment earnings decreased \$38,864.
- The compensated absences expense increased \$2,055 and depreciation expense increased \$6,726 as compared to the prior year.

Financial Analysis of the Government's Funds

The City of La Marque uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of La Marque's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of La Marque's governmental funds reported combined ending fund balances of \$8,196,378, a decrease of \$474,917 as compared to the prior year. *Unreserved fund balance*, which is available for spending at the government's discretion, totaled \$3,222,582. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$703,007), 2) for capital projects (\$3,963,385), 3) for prepaid expenditures (\$2,338), 4) invested in inventory (\$40,644), and 5) for special revenue fund expenditures (\$264,422) .

The general fund is the chief operating fund of the City of La Marque. At the end of the current fiscal year, *unreserved fund balance* amounted to \$2,415,615 , while total fund balance amounted to \$2,458,597. As a measure of the general fund's liquidity, it may be useful to compare both fund balance reserved for future expenditures and total fund balance, to total fund expenditures. Unreserved fund balance represents 23.9 percent of total general fund expenditures, while total fund balance represents 24.3 percent of that same amount.

The fund balance of the City of La Marque's general fund decreased by \$324,241 during the current fiscal year. Key factors in this decline are as follows:

- Intergovernmental revenue decreased \$1,398,405 attributable to additional FEMA grant reimbursements in the amount of \$1,669,429 for damages sustained from Hurricane Ike in the prior fiscal year.
- Property and sales tax revenues also declined in the amounts of \$350,484 and \$562,761 respectively over the previous fiscal year.
- Charges for services increased \$216,190 in the current year.

The capital projects fund ended the year with a fund balance of \$3,963,385, a decrease of \$274,843. This decrease is due to capital projects expenditures in excess of intergovernmental revenue.

The debt service fund has a total fund balance of \$703,007 , all of which is reserved for debt service. The net increase in fund balance during the current year in the debt service fund was \$166,461; comprised of net income of \$104,982 and a prior period adjustment of \$61,479.

Proprietary Funds. The City of La Marque's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

CITY OF LA MARQUE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Unrestricted net assets of the Utility Fund at the end of the year totaled \$3,301,824 and total net assets were \$9,222,827. The Water and Sewer System Revenue Fund net assets totaled \$513,525 and the Community Development Block Grant Fund ended the year with \$22,119 in net assets. The total change in net assets for these funds was a decrease of \$943,105, an increase of \$88,116 in the Water & Sewer System Revenue Fund, and an increase of \$22,119 in the Community Development Block Grant Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of La Marque's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$60,938 summarized as follows:

- \$4,868 in increases allocated to general government
- \$3,288 in decreases allocated to public safety
- \$53,899 in decreases allocated to public works
- \$54,197 in increases allocated to sanitation
- \$59,060 in increases allocated to capital outlay

This increase was to be funded as follows:

- Intergovernmental revenue increase \$377,958
- Charges for services increase of \$54,197

During the year, however, revenues were less than budgetary estimates as explained below.

The general fund had a negative revenue variance of final budget to actual of \$688,021 due to revenue shortfalls as follows:

- Property taxes \$232,031
- Sales taxes \$76,167
- Intergovernmental revenue \$134,359
- Fines and forfeits \$218,016
- Investment earnings \$22,500
- Other revenue \$325,915

The general fund had a negative expenditure variance of final budget to actual on a departmental level for public works in the amount of \$146,753.

Capital Assets and Debt Administration

Capital Assets. The City of La Marque's investment in capital assets for its governmental and business type activities as of September 30, 2010, amounts to \$28,267,876 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, furniture and office equipment and construction in progress. The total increase in the City of La Marque's investment in capital assets for the current fiscal year was 5.9 percent.

CITY OF LA MARQUE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Major capital assets acquired during the current fiscal year included the following:

- Construction in progress as of the close of the fiscal year totaled \$22,102 for sewer system improvements.
- Heavy equipment which included a tractor and gradall were purchased at a cost of \$450,157.
- Five vehicles were purchased at a cost of \$147,030.
- Street improvements to Cedar Drive totaled \$3,489,211

City of La Marque's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 210,370	\$ 210,370	\$ 209,774	\$ 209,774	\$ 420,144	\$ 420,144
Buildings and improvements	1,150,245	1,214,832	22,472	25,451	1,172,717	1,240,283
Improvements other than buildings	11,706,889	8,835,631	13,072,786	14,223,073	24,779,675	23,058,704
Vehicles	495,914	433,685	90,930	117,900	586,844	551,585
Machinery and equipment	948,711	638,549	52,917	96,921	1,001,628	735,470
Furniture and office equipment	76,766	108,665			76,766	108,665
Equipment under capital lease			208,000	234,000	208,000	234,000
Construction in progress		356,414	22,102		22,102	356,414
	<u>\$ 14,588,895</u>	<u>\$ 11,798,146</u>	<u>\$ 13,678,981</u>	<u>\$ 14,907,119</u>	<u>\$ 28,267,876</u>	<u>\$ 26,705,265</u>

Additional information on the City of La Marque's capital assets can be found in note IV.D of this report.

Long-term Debt. At the end of the current fiscal year, the City of La Marque had total bonded debt outstanding of \$13,950,000. Of this amount, \$6,500,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of La Marque's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of La Marque's Outstanding Debt
Certificates of Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Certificates of obligation	\$ 6,500,000	\$ 6,710,000			\$ 6,500,000	\$ 6,710,000
Revenue bonds and long-term contracts			7,450,000	8,155,000	7,450,000	8,155,000
	<u>\$ 6,500,000</u>	<u>\$ 6,710,000</u>	<u>\$ 7,450,000</u>	<u>\$ 8,155,000</u>	<u>\$ 13,950,000</u>	<u>\$ 14,865,000</u>

The City of La Marque's total debt decreased by \$915,000 (6.2 percent) during the current fiscal year due to principal payments made on existing debt.

Although there is no legal debt limit in Texas, most municipal finance officers in the state hold the opinion that the Attorney General would not approve bonded indebtedness in excess of 10% of assessed value. The current debt limitation for the City of La Marque is \$73,333,452, which is significantly in excess of the City of La Marque's outstanding debt.

Additional information on the City of La Marque's long-term debt can be found in note IV.G of this report.

CITY OF LA MARQUE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

- During the 2009/2010 fiscal year, the City of La Marque experienced an increase of 74.2% in intergovernmental revenue due to reimbursement from Galveston County for the Cedar Drive project.
- The unemployment rate for the City of La Marque is 8.5 percent. This is slightly higher than the state's average unemployment rate of 8.0 percent but below the national average rate of 10.2 percent.
- Property tax collections for the governmental funds decreased 8.4% in the current fiscal year due to a \$28.4 million decrease in assessed value.
- The La Marque Clean City Commission continues to make a positive difference throughout the City. Efforts are being made to hire additional Code Enforcement Officers to identify and ticket those who are not cleaning their yards, have structures in disrepair and other City code violations which detract from the City's inherent beauty.
- La Marque Economic Development Corporation finds the outlook of retail development is beginning to show signs of improvement. Developers and retailers are considering land acquisition or expansions in order to take advantage of depressed construction costs.

These factors were considered in preparing the City of La Marque's budget for the 2011 fiscal year.

The City of La Marque's tax rate for the 2011 fiscal year budget was maintained at the 2010 rate of \$.51436 per \$100 assessed value.

Requests for Information

This financial report is designed to provide a general overview of the City of La Marque's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 1111 Bayou Road, La Marque, Texas 77568.



Set your sites on La Marque.

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Basic Financial Statements



Set your sites on La Marque.

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CITY OF LA MARQUE, TEXAS
STATEMENT OF NET ASSETS
For The Year Ended September 30, 2010

Exhibit A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	La Marque E.D.C.
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,559,158	\$ 958,052	\$ 3,517,210	\$ 1,881,214
Investments	6,863,813	2,476,525	9,340,338	2,609,414
Property taxes receivable, net of allowance for doubtful accounts	554,445		554,445	
Other taxes receivable	712,218		712,218	221,361
Customer receivables, net of allowance for doubtful accounts	283,500	474,981	758,481	
Other receivables	139,316	10,175	149,491	735
Internal balances	142,125	(142,125)		
Due from other governments	375,259	41,596	416,855	
Inventories	40,664		40,664	1,597,142
Prepaid items	2,338		2,338	
Deferred charges	96,616	172,358	268,974	
Restricted assets:				
Cash and cash equivalents		1,624	1,624	
Investments		603,544	603,544	
Capital assets (net of accumulated depreciation):				
Land	210,370	209,774	420,144	
Buildings and improvements	1,150,245	22,472	1,172,717	
Improvements other than buildings	11,706,889	13,072,786	24,779,675	
Vehicles	495,914	90,930	586,844	
Machinery and equipment	948,711	52,917	1,001,628	
Furniture and office equipment	76,766		76,766	
Equipment under capital lease		208,000	208,000	
Construction in progress		22,102	22,102	
Total assets	26,358,347	18,275,711	44,634,058	6,309,866
Liabilities				
Accounts payable	1,914,740	210,322	2,125,062	24,241
Accrued expenses	204,210	23,233	227,443	
Interest payable	21,899	31,018	52,917	
Due to other governments	31,628		31,628	
Unearned revenue	32,951		32,951	110,000
Liabilities payable from restricted assets		402,809	402,809	
Noncurrent liabilities:				
Due within one year	633,753	816,125	1,449,878	
Due in more than one year	7,435,036	7,033,733	14,468,769	
Total liabilities	10,274,217	8,517,240	18,791,457	134,241
Net Assets				
Invested in capital assets, net of related debt	8,753,379	6,157,984	14,911,363	
Restricted for capital projects	3,373,618		3,373,618	
Restricted for debt service	761,340	408,817	1,170,157	
Restricted for urban housing and rehabilitation	71,007		71,007	
Restricted for tourism & event promotion	802,124		802,124	
Restricted for other purposes	244,913		244,913	
Unrestricted	2,077,749	3,191,670	5,269,419	6,175,625
Total net assets	\$ 16,084,130	\$ 9,758,471	\$ 25,842,601	\$ 6,175,625

The notes to the financial statements are an integral part of this statement.

CITY OF LA MARQUE, TEXAS

STATEMENT OF ACTIVITIES

For The Year Ended September 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government			
Governmental activities:			
General government	\$ 1,731,537	\$ 54,831	\$ 8,347
Public safety	5,402,425	1,423,666	
Public works	2,675,651	99,757	3,136,745
Sanitation	1,351,656	1,511,130	
Urban housing and rehabilitation	305,417		303,815
Interest on long-term debt	288,674		
Total governmental activities	<u>11,755,360</u>	<u>3,089,384</u>	<u>3,448,907</u>
Business-type activities:			
Enterprise fund - Utility	4,522,486	4,114,624	
Enterprise fund - Water and sewer	277,661		
Enterprise fund - C.D.B.G.	19,494		41,596
Total business-type activities	<u>4,819,641</u>	<u>4,114,624</u>	<u>41,596</u>
Total primary government	<u>\$ 16,575,001</u>	<u>\$ 7,204,008</u>	<u>\$ 3,490,503</u>
Component Unit - La Marque E.D.C.	<u>\$ 280,100</u>	<u>\$</u>	<u>\$</u>

General revenues:

Property taxes levied for general purposes
 Property taxes levied for special purposes
 Sales taxes
 Gross receipts taxes
 Hotel/Motel taxes
 Other taxes
 Unrestricted grants and contributions
 Unrestricted investment earnings
 Other revenue

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior period adjustment

Net assets - beginning (As restated)

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Exhibit A-2

Primary Government			Component Unit La Marque E.D.C.
Governmental Activities	Business-type Activities	Total	Total
\$ (1,668,359)	\$	\$ (1,668,359)	\$
(3,978,759)		(3,978,759)	
560,851		560,851	
159,474		159,474	
(1,602)		(1,602)	
(288,674)		(288,674)	
<u>(5,217,069)</u>		<u>(5,217,069)</u>	
	(407,862)	(407,862)	
	(277,661)	(277,661)	
	22,102	22,102	
	<u>(663,421)</u>	<u>(663,421)</u>	
<u>(5,217,069)</u>	<u>(663,421)</u>	<u>(5,880,490)</u>	
			<u>(280,100)</u>
2,491,979		2,491,979	
865,805		865,805	
2,373,833		2,373,833	786,535
888,333		888,333	
86,047		86,047	
97,386		97,386	
2,221		2,221	
13,523	3,210	16,733	4,629
305,611	2,514	308,125	1,000
175,190	(175,190)		
<u>7,299,928</u>	<u>(169,466)</u>	<u>7,130,462</u>	<u>792,164</u>
<u>2,082,859</u>	<u>(832,887)</u>	<u>1,249,972</u>	<u>512,064</u>
13,899,781	10,591,341	24,491,122	5,663,561
101,490	17	101,507	
<u>14,001,271</u>	<u>10,591,358</u>	<u>24,592,629</u>	<u>5,663,561</u>
<u>\$ 16,084,130</u>	<u>\$ 9,758,471</u>	<u>\$ 25,842,601</u>	<u>\$ 6,175,625</u>

CITY OF LA MARQUE, TEXAS

Exhibit B-1

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,112,823	\$ 477,768	\$ 945,300	\$ 2,535,891
Investments	641,741	4,352,581	906,624	5,900,946
Property taxes receivable, net	454,002		100,443	554,445
Other taxes receivable, net	693,657		18,561	712,218
Due from other funds	242,888	16,000	31,000	289,888
Due from other governments		370,697	4,562	375,259
Due from customers, net	283,500			283,500
Other receivables, net	139,316		60	139,376
Inventories	40,664			40,664
Prepaid expenditures	2,338			2,338
Total assets	<u>\$ 3,610,929</u>	<u>\$ 5,217,046</u>	<u>\$ 2,006,550</u>	<u>\$ 10,834,525</u>
Liabilities				
Accounts payable	\$ 647,187	\$ 1,178,898	\$ 88,444	\$ 1,914,529
Accrued expenditures	191,026		6,140	197,166
Due to other funds		74,763	31,000	105,763
Due to other governments	14,893		16,735	31,628
Deferred revenue	292,983		89,835	382,818
Bail bonds payable	6,243			6,243
Total liabilities	<u>1,152,332</u>	<u>1,253,661</u>	<u>232,154</u>	<u>2,638,147</u>
Fund Balance				
Reserved for:				
Debt service			703,007	703,007
Inventory	40,644			40,644
Capital projects		3,963,385		3,963,385
Prepaid expenditures	2,338			2,338
Special revenue funds			264,422	264,422
Unreserved:				
Designated for:				
Self insurance:				
Reported in the general fund	40,000			40,000
Future expenditures:				
Reported in the general fund	2,375,615			2,375,615
Reported in special revenue funds			806,967	806,967
Total fund balance	<u>2,458,597</u>	<u>3,963,385</u>	<u>1,774,396</u>	<u>8,196,378</u>
Total liabilities and fund balances	<u>\$ 3,610,929</u>	<u>\$ 5,217,046</u>	<u>\$ 2,006,550</u>	<u>\$ 10,834,525</u>

The notes to the financial statements are an integral part of this audit.

CITY OF LA MARQUE, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
September 30, 2010

Exhibit B-2

Total fund balances - Governmental funds		\$ 8,196,378
1 The City uses internal service funds to charge the costs of certain activities, such as equipment maintenance insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		943,062
2 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Fund Financial Statements, but are reported in the governmental activities of the Statement of Net Assets.		
Capital assets	\$33,005,677	
Accumulated depreciation	<u>(18,416,782)</u>	
		14,588,895
3 Long-term liabilities are not due and payable in the current period and are not included in the Fund Financial Statements, but are included in the governmental activities of the Statement of Net Assets.		
General obligation bonds, certificates of obligation, etc.	\$ (6,500,000)	
Supplemental annuities payable	(171,872)	
Net OPEB payable	(532,389)	
Compensated absences payable	<u>(864,528)</u>	
		(8,068,789)
4 Accrued interest on debt in excess of the amount recorded in the debt service fund		(21,899)
5 Deferred revenues recorded as revenue in the Statement of Net Assets		349,867
6 Unamortized bond issuance costs, premiums and losses on refunding bonds, in the Statement of Net Assets not in the Fund Financial Statements		<u>96,616</u>
Net assets of governmental activities		<u><u>\$ 16,084,130</u></u>

The notes to the financial statements are an integral part of this audit.

CITY OF LA MARQUE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2010

Exhibit B-3

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 2,397,969	\$	\$ 835,702	\$ 3,233,671
Sales	2,373,833			2,373,833
Gross receipts	888,333			888,333
Other	97,386		86,047	183,433
Licenses and permits	311,364			311,364
Intergovernmental revenue	282,049	2,864,349	303,815	3,450,213
Charges for services	2,096,781			2,096,781
Fines and forfeitures	639,734			639,734
Investment earnings		8,117	4,894	13,011
Reimbursement from component unit	113,000			113,000
Other revenue	86,536	915	142,391	229,842
Total revenues	<u>9,286,985</u>	<u>2,873,381</u>	<u>1,372,849</u>	<u>13,533,215</u>
Expenditures				
Current:				
General government:	1,418,100		164,652	1,582,752
Public safety	5,110,572		7,888	5,118,460
Public works	1,615,705		231,033	1,846,738
Sanitation	1,363,696			1,363,696
Urban rehabilitation and housing			305,519	305,519
Debt service:				
Principal on long-term debt			235,696	235,696
Interest and fiscal charges			285,285	285,285
Capital outlay:				
Public safety	115,762			115,762
Public works	481,424	3,148,224	3,284	3,632,932
Total expenditures	<u>10,105,259</u>	<u>3,148,224</u>	<u>1,233,357</u>	<u>14,486,840</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(818,274)</u>	<u>(274,843)</u>	<u>139,492</u>	<u>(953,625)</u>
Other Financing Sources (Uses)				
Transfer in	513,708		4,675	518,383
Transfers (out)	(19,675)		(20,000)	(39,675)
Total other financing sources (uses)	<u>494,033</u>		<u>(15,325)</u>	<u>478,708</u>
Net change in fund balances	<u>(324,241)</u>	<u>(274,843)</u>	<u>124,167</u>	<u>(474,917)</u>
Fund balances - October 1 (Beginning)	2,782,838	4,238,228	1,548,739	8,569,805
Prior period adjustment			101,490	101,490
Fund balances - Beginning (As restated)	<u>2,782,838</u>	<u>4,238,228</u>	<u>1,650,229</u>	<u>8,671,295</u>
Fund balances - September 30 (Ending)	<u>\$ 2,458,597</u>	<u>\$ 3,963,385</u>	<u>\$ 1,774,396</u>	<u>\$ 8,196,378</u>

The notes to the financial statements are an integral part of this audit.

CITY OF LA MARQUE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
September 30, 2010

Exhibit B-4

Total net change in fund balances - Governmental funds		\$ (474,917)
1 The City uses internal service funds to charge the costs of certain activities, such as equipment maintenance insurance to appropriate functions in other funds. The income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net assets.		(312,448)
2 Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation.		
Capital outlays moved to capital asset additions	\$ 3,741,028	
Depreciation expense recorded for the year	<u>(950,279)</u>	
Net adjustment to increase (decrease) in governmental fund balances to arrive at the change in net assets for governmental activities		2,790,749
3 Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		
Property taxes net adjustment to the accrual basis		124,113
4 Proceeds from long-term debt issued increase long-term liabilities in the Statement of Net Assets but are considered other sources in the governmental fund financial statements		
Supplemental annuities for retirees	<u>\$ (118,214)</u>	(118,214)
5 Governmental funds report the repayment of principal on long-term debt as an expenditure. In contrast, the Statement of Activities treats such repayments as reductions in long-term liabilities.		
Principal payments on long-term debt (certificates of obligation)	\$ 210,000	
Payment of supplemental annuities for retirees	<u>25,696</u>	235,696
6 Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures in the Fund Financial Statements:		
Change in other post employment benefits obligation		(266,195)
Change in accrued interest payable		819
Change in compensated absences payable		108,179
Amortization of issuance costs, premiums and refunding losses not recorded in the Fund Financial Statements but recorded in the Statement of Activities		<u>(4,923)</u>
Change in net assets of governmental activities		<u><u>\$ 2,082,859</u></u>

The notes to the financial statements are an integral part of this audit.

CITY OF LA MARQUE, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2010

Exhibit B-5

Page 1 of 2

	Budgeted Amounts			Variance With Final Budget (Negative)
	Original	Final	Actual	
Revenues				
Taxes:				
Property	\$2,630,000	\$ 2,630,000	\$ 2,397,969	\$ (232,031)
Sales	2,450,000	2,450,000	2,373,833	(76,167)
Gross receipts	862,500	862,500	888,333	25,833
Other	75,500	75,500	97,386	21,886
Licenses and permits	306,400	306,400	311,364	4,964
Intergovernmental revenue	38,450	416,408	282,049	(134,359)
Charges for services	1,782,000	1,836,197	2,096,781	260,584
Fines and forfeitures	857,750	857,750	639,734	(218,016)
Investment earnings	22,500	22,500		(22,500)
Reimbursement from component unit	105,300	105,300	113,000	7,700
Other revenue	412,451	412,451	86,536	(325,915)
Total revenues	9,542,851	9,975,006	9,286,985	(688,021)
Expenditures				
Current:				
General government:				
General	500,577	500,577	397,054	103,523
City Manager	277,332	277,332	211,361	65,971
City Council	30,000	34,868	20,062	14,806
Finance and tax	681,602	681,602	408,056	273,546
Data processing	118,392	118,392	105,828	12,564
Library	301,426	301,426	283,006	18,420
Contingency	6,360	6,360	(7,267)	13,627
Total general government	1,915,689	1,920,557	1,418,100	502,457
Public safety:				
Police	3,133,172	3,133,158	2,749,388	383,770
Judicial	395,238	395,095	315,393	79,702
Fire	1,861,573	1,858,442	1,794,177	64,265
Inspection	221,000	221,000	170,775	50,225
Emergency management	20,330	20,330	18,386	1,944
Animal control	62,450	62,450	62,453	(3)
Total public safety	5,693,763	5,690,475	5,110,572	579,903
Public works:				
Administration	73,360	75,346	80,123	(4,777)
Shop service facility	219,937	219,701	202,453	17,248
Streets and highways	1,058,821	1,003,172	989,899	13,273
Parks and recreation	170,733	170,733	343,230	(172,497)
Total public works	1,522,851	1,468,952	1,615,705	(146,753)
Sanitation	1,309,500	1,363,697	1,363,696	1

The notes to the financial statements are an integral part of this audit.

CITY OF LA MARQUE, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2010

Exhibit B-5

Page 2 of 2

	<u>Budgeted Amounts</u>			Variance With Final Budget (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures (Continued)				
Capital outlay:				
Public Safety	\$ 133,500	\$ 136,645	\$ 115,762	\$ 20,883
Public Works	438,638	494,553	481,424	13,129
Total capital outlay	<u>572,138</u>	<u>631,198</u>	<u>597,186</u>	<u>34,012</u>
Total expenditures	<u>11,013,941</u>	<u>11,074,879</u>	<u>10,105,259</u>	<u>969,620</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(1,471,090)</u>	<u>(1,099,873)</u>	<u>(818,274)</u>	<u>281,599</u>
Other Financing Sources (Uses)				
Transfer in	838,210	838,210	513,708	(324,502)
Transfers (out)	(15,000)	(15,000)	(19,675)	(4,675)
Other uses		(377,958)		377,958
Total other financing sources (uses)	<u>823,210</u>	<u>445,252</u>	<u>494,033</u>	<u>48,781</u>
Net change in fund balances	(647,880)	(654,621)	(324,241)	330,380
Fund balances - Beginning	<u>2,782,838</u>	<u>2,782,838</u>	<u>2,782,838</u>	
Fund balances - Ending	<u>\$2,134,958</u>	<u>\$ 2,128,217</u>	<u>\$ 2,458,597</u>	<u>\$ 330,380</u>

CITY OF LA MARQUE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2010

	<u>Utility</u>	<u>Water and Sewer System Revenue</u>	<u>Community Development Block Grant</u>
Assets			
Current assets:			
Unrestricted:			
Cash and cash equivalents	\$ 554,462	\$ (16)	\$ 781
Investments	2,344,445		
Due from other funds	466,207		
Due from other governments			41,596
Due from customers, net of allowance for doubtful accounts	474,981		
Interest receivable			
Miscellaneous receivables	10,175		
Restricted:			
Cash and cash equivalents:			
Customer deposits	402,809		
Revenue bond debt service	1,640		
Investments:			
Revenue bond debt service	468,360		
Water and sewer system reserve		260,000	
Total current assets	<u>4,723,079</u>	<u>259,984</u>	<u>42,377</u>
Noncurrent assets:			
Restricted assets:			
Restricted investments:			
Water and sewer system reserve		112	
Plant and lines reserve	3,457		
Meter replacement reserve	3,679		
Total restricted assets	<u>7,136</u>	<u>112</u>	
Deferred charges, net of accumulated amortization	<u>119,230</u>	<u>53,128</u>	
Capital assets:			
Land	209,774		
Buildings and structures	116,805		
Other improvements	29,084,910	4,824,765	
Machinery and equipment	684,879		
Motor vehicles	1,169,987		
Construction in progress			22,102
Leased assets under capital lease	260,000		
Less accumulated depreciation	<u>(21,303,083)</u>	<u>(1,391,158)</u>	
Total capital assets, net of accumulated depreciation	<u>10,223,272</u>	<u>3,433,607</u>	<u>22,102</u>
Total noncurrent assets	<u>10,349,638</u>	<u>3,486,847</u>	<u>22,102</u>
Total assets	<u>15,072,717</u>	<u>3,746,831</u>	<u>64,479</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LA MARQUE, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2010

	<u>Utility</u>	<u>Water and Sewer System Revenue</u>	<u>Community Development Block Grant</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 198,962	\$	\$ 11,360
Accrued expenses	23,233		
Interest payable	22,979	8,023	
Accrued compensated absences	52,075		
Note payable - capital lease	34,050		
Due to other funds	<u>207,049</u>	<u>370,283</u>	<u>31,000</u>
	<u>538,348</u>	<u>378,306</u>	<u>42,360</u>
Current liabilities payable from restricted assets:			
Customer deposits payable	402,809		
Revenue bonds payable	<u>470,000</u>	<u>260,000</u>	
	<u>872,809</u>	<u>260,000</u>	
Total current liabilities	<u>1,411,157</u>	<u>638,306</u>	<u>42,360</u>
Noncurrent liabilities:			
Accrued compensated absences	135,446		
Revenue bonds payable	4,125,000	2,595,000	
Note payable - capital lease	<u>178,287</u>		
Total noncurrent liabilities	<u>4,438,733</u>	<u>2,595,000</u>	
Total liabilities	<u>5,849,890</u>	<u>3,233,306</u>	<u>42,360</u>
Net Assets			
Invested in capital assets, net of related debt	5,512,186	623,696	22,102
Restricted for debt service	408,817		
Unrestricted	<u>3,301,824</u>	<u>(110,171)</u>	<u>17</u>
Total net assets	<u>\$ 9,222,827</u>	<u>\$ 513,525</u>	<u>\$ 22,119</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-1
Page 2 of 2

Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ 210,322 23,233 31,002 52,075 34,050 <u> 608,332</u> <u> 959,014</u>	\$ 1,072 42,000 <u> 43,072</u>
402,809 <u> 730,000</u> <u> 1,132,809</u>	
<u> 2,091,823</u>	<u> 43,072</u>
135,446 6,720,000 <u> 178,287</u> <u> 7,033,733</u>	
<u> 9,125,556</u>	<u> 43,072</u>
6,157,984 408,817 3,191,670 <u> \$ 9,758,471</u>	943,062 <u> \$ 943,062</u>

CITY OF LA MARQUE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended September 30, 2010

	<u>Utility</u>	<u>Water and Sewer System Revenue</u>	<u>Community Development Block Grant</u>
Operating revenues			
Charges for services	\$ 4,081,001	\$	\$
Total operating revenues	<u>4,081,001</u>		
Operating expenses			
Personnel services	1,088,670		
Supplies	182,649		
Maintenance and repairs	541,995		
Miscellaneous services	145,536		19,494
Utilities	341,476		
Purchased water	834,902		
Depreciation	1,089,414	160,825	
Compensated absences expense	28,964		
Total operating expenses	<u>4,253,606</u>	<u>160,825</u>	<u>19,494</u>
Operating income	<u>(172,605)</u>	<u>(160,825)</u>	<u>(19,494)</u>
Non-operating revenues (expenses)			
Intergovernmental revenue			41,596
Miscellaneous revenue	36,137		
Investment earnings	3,098	112	
Interest expense and fiscal charges	(254,149)	(110,017)	
Amortization of deferred expenses	(13,821)	(6,819)	
Contingencies	(910)		
Total non-operating revenues (expenses)	<u>(229,645)</u>	<u>(116,724)</u>	<u>41,596</u>
Income before contributions and transfers	<u>(402,250)</u>	<u>(277,549)</u>	<u>22,102</u>
Contributions and transfers			
Transfer in	725,829	365,665	
Transfers (out)	(1,266,684)		
Total contributions and transfers	<u>(540,855)</u>	<u>365,665</u>	
Change in net assets	<u>(943,105)</u>	<u>88,116</u>	<u>22,102</u>
Total net assets - Beginning	10,165,932	425,409	
Prior period adjustment			17
Net Assets - Beginning (As restated)	<u>10,165,932</u>	<u>425,409</u>	<u>17</u>
Total net assets - Ending	<u>\$ 9,222,827</u>	<u>\$ 513,525</u>	<u>\$ 22,119</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-2

Total Proprietary Funds	Governmental Activities - Internal Service Funds
<u>\$ 4,081,001</u>	<u>\$</u>
<u>4,081,001</u>	
1,088,670	
182,649	
541,995	
165,030	10,688
341,476	
834,902	
1,250,239	
28,964	
<u>4,433,925</u>	<u>10,688</u>
<u>(352,924)</u>	<u>(10,688)</u>
41,596	
36,137	
3,210	1,758
(364,166)	
(20,640)	
(910)	
<u>(304,773)</u>	<u>1,758</u>
<u>(657,697)</u>	<u>(8,930)</u>
1,091,494	54,092
<u>(1,266,684)</u>	<u>(357,610)</u>
<u>(175,190)</u>	<u>(303,518)</u>
<u>(832,887)</u>	<u>(312,448)</u>
10,591,341	1,255,510
17	
<u>10,591,358</u>	<u>1,255,510</u>
<u>\$ 9,758,471</u>	<u>\$ 943,062</u>

CITY OF LA MARQUE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended September 30, 2010

	<u>Utility</u>	<u>Water and Sewer System Revenue</u>	<u>Community Development Block Grant</u>
Cash flows from operating activities:			
Cash received from customers	\$ 4,136,975	\$	
Cash paid to suppliers for goods and services	(2,051,053)		(8,134)
Cash paid to employees for services	(1,088,670)		
Net cash provided by operating activities	<u>997,252</u>		<u>(8,134)</u>
Cash flows from non-capital financing activities:			
Transfers in	725,829	365,665	
Transfers (out)	(1,266,684)		
Interfund cash payments			
Interfund cash receipts	94,467	5,000	31,017
Net cash used for non-capital financing activities	<u>(446,388)</u>	<u>370,665</u>	<u>31,017</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets			(22,102)
Principal paid on bond maturities	(450,000)	(255,000)	
Interest and fiscal charges paid on bonds	(256,039)	(110,681)	
Proceeds - capital lease			
Principal paid on capital lease	(32,259)		
Net cash from capital and related financing activities	<u>(738,298)</u>	<u>(365,681)</u>	<u>(22,102)</u>
Cash flows from investing activities:			
Purchase of investments		(5,000)	
Interest received from investments	10,230		
Net cash from investing activities	<u>10,230</u>	<u>(5,000)</u>	
Net increase (decrease) in cash and cash equivalents	(177,204)	(16)	781
Cash and cash equivalents, beginning of year	<u>1,136,115</u>		
Cash and cash equivalents, end of year	<u>\$ 958,911</u>	<u>\$ (16)</u>	<u>\$ 781</u>
Unrestricted cash	\$ 554,462	\$ (16)	\$ 781
Restricted cash	404,449		
Total	<u>\$ 958,911</u>	<u>\$ (16)</u>	<u>\$ 781</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-3
Page 1 of 2

<u>Total Proprietary Funds</u>	<u>Governmental Activities - Internal ServiceFunds</u>
\$ 4,136,975 (2,059,187) (1,088,670) <hr/> 989,118 <hr/> 1,091,494 (1,266,684) <hr/> 130,484 <hr/> (44,706) <hr/> (22,102) (705,000) (366,720) <hr/> (32,259) <hr/> (1,126,081) <hr/> (5,000) 10,230 <hr/> 5,230 <hr/> (176,439) <hr/> 1,136,115 <hr/> \$ 959,676 <hr/> <hr/> \$ 555,227 404,449 <hr/> \$ 959,676 <hr/> <hr/>	\$ (9,616) <hr/> (9,616) <hr/> 54,092 (357,610) <hr/> 42,000 <hr/> (261,518) <hr/> <hr/> (2,116) 1,758 <hr/> (358) <hr/> (271,492) <hr/> 294,759 <hr/> \$ 23,267 <hr/> <hr/> \$ 23,267 <hr/> \$ 23,267 <hr/> <hr/>

CITY OF LA MARQUE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended September 30, 2010

	<u>Utility</u>	<u>Water and Sewer System Revenue</u>	<u>Community Development Block Grant</u>
Reconciliation of net operating income to net cash provided by operating activities:			
Net operating income (loss)	\$ (172,605)	\$ (160,825)	\$ (19,494)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation	1,089,414	160,825	
Non-operating income (expense)	35,227		
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	16,261		
Increase (decrease) in accrued expenditures	(1,410)		
Increase (decrease) in accounts payable	(3,085)		11,360
Increase (decrease) in compensated absences	28,964		
Increase (decrease) in customer deposits	4,486		
Total adjustments	<u>1,169,857</u>	<u>160,825</u>	<u>11,360</u>
Net cash provided by operating activities	<u>\$ 997,252</u>	<u>\$</u>	<u>\$ (8,134)</u>
Non-cash transactions:			
Depreciation	\$ 1,089,414	\$ 160,825	\$
Amortization of deferred expenditures	13,821	6,819	
Deferred debt issuance costs	119,230	53,128	

The notes to the financial statements are an integral part of this statement.

Exhibit C-3
Page 2 of 2

<u>Total Proprietary Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ (352,924)	\$ (10,688)
1,250,239	
35,227	
16,261	
(1,410)	
8,275	1,072
28,964	
4,486	
<u>1,342,042</u>	<u>1,072</u>
<u>\$ 989,118</u>	<u>\$ (9,616)</u>
\$ 1,250,239	\$
20,640	
172,358	

CITY OF LA MARQUE, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2010

Exhibit D-1

	<u>Library Memorial</u>
Assets	
Cash and cash equivalents	\$ 1,418
Total assets	<u>1,418</u>
Net Assets	
Unreserved	<u>1,418</u>
Total net assets	<u><u>\$ 1,418</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF LA MARQUE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2010

Exhibit D-2

	Library Memorial
	<hr/>
Additions	
Contributions from the public	\$ 1,605
Total additions	<hr/> 1,605 <hr/>
Deductions	
Purchase of library books	<hr/> 2,235
Total deductions	<hr/> 2,235 <hr/>
Change in net assets	(630)
Net assets - Beginning	<hr/> 2,048 <hr/>
Net assets - Ending	<hr/> \$ 1,418 <hr/> <hr/>

The notes to the financial statements are an integral part of this statement.



Set your sites on La Marque.

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I. Summary of Significant Accounting Policies

The City of La Marque (the “City”) is a municipality operating under the applicable laws and regulations of the State of Texas. The City prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB), other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants, and the requirements of contracts and grants of agencies from which it receives funds.

In accordance with Governmental Accounting Standards Board Statement No. 34, the City retroactively reported its general infrastructure assets during the year ended September 30, 2007.

A. Reporting entity

Primary Government

The City of La Marque, Texas was incorporated under the provisions of the Home Rule City Act and is governed by an elected mayor and four-member city council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

The La Marque Economic Development Corporation was established to promote economic and industrial expansion within the City’s jurisdiction. The members of the Corporation’s governing board as well as its operational and capital budgets are approved by City Council. The Corporation has both governmental and proprietary fund types.

Complete financial statements for the component unit may be obtained at the entity’s administrative offices.

La Marque Economic Development Corporation
1111 Bayou Road
La Marque, Texas 77568-4299

I. Summary of Significant Accounting Policies (continued)

**Condensed Statement Of Net Assets
Discretely Presented Component Unit
September 30, 2010**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,881,214	\$	\$ 1,881,214
Investments	2,252,564	356,850	2,609,414
Internal balances			
Due from primary government	1,772,784	(1,772,784)	
Interest receivable	735		735
Due from other governments	221,361		221,361
Inventories		1,597,142	1,597,142
Total assets	6,128,658	181,208	6,309,866
Liabilities			
Accounts payable and other current liabilities	24,241		24,241
Unearned revenue	110,000		110,000
Total liabilities	134,241		134,241
Net Assets			
Unrestricted	5,994,417	181,208	6,175,625
Total net assets	\$ 5,994,417	\$ 181,208	\$ 6,175,625

**Condensed Statement of Activities
Discretely Presented Component Unit
For the Year Ended September 30, 2010**

	Governmental Activities	Business-type Activities	Total
Expenses			
Economic development	\$ 280,100	\$	\$ 280,100
Total expenses	280,100		280,100
General revenues			
Sales taxes	786,535		786,535
Unrestricted investment earnings	4,129	500	4,629
Miscellaneous revenue	1,000		1,000
Total general revenues	791,664	500	792,164
Change in net assets	511,564	500	512,064
Net assets - October 1 (Beginning)	5,482,853	180,708	5,663,561
Net assets - September 30 (Ending)	\$ 5,994,417	\$ 181,208	\$ 6,175,625

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. Except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

I. Summary of Significant Accounting Policies (continued)

The City reports the following major governmental funds:

- The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects* fund is the City's capital projects fund into which the Certificates of Obligation are deposited. Street and drainage improvements will be accounted for in this fund.
- The *other governmental funds* aggregate the City's special revenue funds which account for specific revenues that are legally restricted to expenditure for particular purposes as well as the debt service fund which is used to account for the accumulation of resources for the payment of interest and principal on long-term debt.

The City reports the following major proprietary funds:

- The *utility fund* accounts for the rendering of water and sewer services to the residents of the City.
- The *waterworks and sewer system revenue fund* accounts for the proceeds of the sale of bonds for the purpose of improving and extending the City's waterworks and sanitary sewer system.
- The *community development block grant* fund accounts for grant proceeds used to construct and rehabilitate sewer lines in low to very-low income neighborhoods.

Additionally, the City reports the following fund types:

- *Internal service funds* account for equipment replacement costs and equipment maintenance insurance costs as needed by City departments on a cost reimbursement basis.
- The *private-purpose trust funds* are used to account for (1) contributions legally held in trust for the purchase of library books.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers for goods or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility enterprise fund and of the Waterworks and Sewer System Revenue enterprise fund, and of the City's internal service funds are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I. Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investment pools, mutual funds and money market accounts are not considered cash equivalents.

State statutes authorize the City to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 6) fully collateralized repurchase agreements; and 7) a public funds investment pool meeting the requirement of Government Code 2256.016 – 2256.019. Temporary investments are reported at fair value.

The City's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The City did not fully comply with the requirements of the PFIA because quarterly investment reports were not submitted by the City's investment officer during the fiscal year.

The La Marque Economic Development Corporation's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Corporation utilizes the City's investment policies and Investment Officer in lieu of separately managing its investments.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All customer and property tax receivables, including those for LMEDC, are shown net of an allowance for uncollectibles. Customer accounts receivable in excess of 120 days primarily comprise the customer accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at September 30, 2010.

The property tax calendar is as follows:

Property tax levy on assessed values, which approximate 100% of market value, occurs on October 1.

Taxes are due October 1, immediately following the levy date and are delinquent February 1 of the following year.

Property taxes attach as an enforceable lien on property as of January 1.

I. Summary of Significant Accounting Policies (continued)

3. Inventories and Prepaid Items

Inventories are valued at cost. The General Fund inventory consists of consumable vehicle replacement parts. The consumption method of accounting is used for the governmental fund types whereby supplies are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

For the LMEDC, inventory consists of land purchases made for sale to encourage future development.

4. Restricted Assets

Primary Government

Governmental activities restricted assets include revenue specified for economic development, urban rehabilitation and housing, debt service, various grant programs, and capital projects.

Certain proceeds of the Utility enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Water and Sewer System Revenue is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The Water and Sewer System Interest and Sinking fund is used to segregate resources accumulated for debt service payments.

<u>Restricted for</u>	<u>Amount</u>
Governmental Activities:	
Hotel / Motel Occupancy Tax	\$ 811,957
JAG - OSSI	31,478
Drug Seizure	7,337
Home Grant	38,552
Public Improvement District	90,195
Section 8	105,468
Parks	53,175
Court Technology	1,487
Court Security	50,729
Child Safety	24,993
LEOSE Training	8,924
Motco Landscaping	11,154
Clean City	5,466
Debt Service	765,635
Capital Projects	5,217,046
Total Governmental Activities	<u>7,223,596</u>
Business-type Activities:	
Utility	879,945
Water and Sewer Revenue	260,112
Total Business-type Activities	<u>1,140,057</u>
Total	<u><u>\$ 8,363,653</u></u>

I. Summary of Significant Accounting Policies (continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 for furniture and equipment and \$25,000 for buildings, improvements and infrastructure and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Water and Sewer System Revenue fund during the current fiscal year was \$116,474. None of this amount was included as part of the cost of capital assets under construction in connection with water and wastewater treatment facilities construction projects.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	40
Heavy equipment	20
Light equipment - Normal use	7 - 10
Light equipment - Frequent use	5
Vehicles	10
Office furniture and equipment	7
Computer equipment	5

General infrastructure assets are defined by *Governmental Accounting Standards Board* Statement No. 34 as “long-lived assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets” and include the following:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 1. Roads 2. Bridges 3. Tunnels 4. Drainage systems | <ol style="list-style-type: none"> 5. Water and sewer systems 6. Dams 7. Lighting systems |
|---------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|

I. Summary of Significant Accounting Policies (continued)

6. Compensated Absences

City employees earn vacation and sick leave benefits, which may be taken or accumulated within established limits until paid upon retirement, termination or death. These limits vary for City fire fighters and police officers, as their collective bargaining agreements supersede City policies.

Accumulated vacation is limited to a maximum of two years credit for all city employees, including fire fighters and police officers. Accumulated sick leave is limited to 1,040 hours for City employees, 1,378 hours for fire fighters, and is not limited for police officers. A City employee who resigns or terminates employment will be paid at the employee's regular pay scale not to exceed one month's pay. All City employees that retire from employment will be paid a lump sum of all accumulated sick leave within established limits. Fire Fighters who leave employment will be paid up to 230 hours of accumulated sick leave. Police officers who leave employment with the City for any reason other than a "just cause" termination will be paid up to 720 hours of accumulated sick leave.

The liability for compensated absences amounted to \$864,528 for governmental activities and \$187,521 for business-type activities as of September 30, 2010.

The La Marque Economic Development Corporation employs, through a contract with the City, a manager that functions as the Administrator of the Corporation. The manager's compensated absences are accounted for by the City rather than the Corporation, so the Corporation does not incur an expense or liability associated with the manager's compensated absences.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

I. Summary of Significant Accounting Policies (continued)

9. Statement of Cash Flows

In accordance with *Governmental Accounting Standards Board* Statement No. 34, a Statement of Cash Flows is required as part of a full set of financial statements for all Proprietary Funds. For purposes of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Investment pools, mutual funds and money market accounts are not considered cash equivalents.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

Exhibit B-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, property taxes receivable, net of the allowance for uncollectible taxes, which are deferred in the fund financial statements are reported as revenue in the government-wide financial statements.

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

Exhibit B-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The debt payments on retirement of debt are recorded as expenditures for fund basis financial statements but are a reduction of debt in the government-wide financial statements.

The capital asset additions are expenditures in the fund basis financial statements but are capitalized on the government-wide financial statements. The fund basis statements do not include depreciation expense and is therefore a deduction to reconcile to the government-wide statement of activities. New debt issues are considered sources of revenue for fund basis financial statements and increases in liabilities for government-wide financial statements. Property taxes receivable are deferred in the fund basis financial statements, as they are not considered available. Property taxes are recorded as revenue when levied in the government-wide financial statements.

III. Stewardship, Compliance, and Accountability

A. Budgetary information

Purpose of Budget

The budget is required by City Charter and is used to plan, monitor, and control the use of resources. The budget then:

1. Identifies resources and funds to provide for the delivery of services.
2. Appropriates funds for the level of service to be provided.
3. Provides the basis for recording and controlling revenues and expenditures.

Budget Process

The budget process is a systematic approach to providing reasonable estimates of revenues and expenditures for a certain level of activity. These revenue and expenditure estimates are based on past, current, and future anticipated activity. The information is accumulated and proceeds from the departments to the City Manager, the City Council, and the public. Therefore, budget preparation is an opportunity to review each activity and present a realistic, adequately documented budget to provide those services in a low-cost, efficient manner.

The City follows these procedures, which comply with legal requirements, in establishing the budgetary data reflected in the financial statements:

1. The general fund, the Hotel/Motel Room Occupancy Tax special revenue fund, the Debt Service fund, and the enterprise funds have legally adopted annual budgets. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. The City Manager is authorized to transfer budget amounts within and between departments; however, any revisions that alter the total expenditures of any category (general government, public safety, etc.) must be approved by the City Council.
5. Budgets for the general fund, the Hotel/Motel Room Occupancy Tax special revenue fund, the Debt Service fund, and the enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. All budgeted appropriations lapse at year end.

Budget amounts are as originally adopted or as amended by the City Council. Expenditures may not exceed appropriations on a functional level in the general fund, enterprise funds, Hotel/Motel Room Occupancy Tax special revenue fund, and the Debt Service fund. All budget amendments are brought to City Council.

III. Stewardship, Compliance, and Accountability (continued)

One budget amendment #10-001 was approved by City Council during the fiscal year ended September 30, 2010.

Expenditures exceeded appropriations in the general fund for the public works department in the amount of \$146,753.

Charter Requirements

1. **Overview** - Section 6.02; "Preparation and submission of budget" of Article VI. The budget as taken from the charter of the City of La Marque, Texas states in part:

"The City Manager shall submit to the City Council a budget. For such purpose, he shall obtain from the head of each office or department estimates of revenue and expenditure of that office or department, detailed by character and object of expenditure and such other supporting data as he may request; together with an estimate of all capital projects pending or which such department head believes should be undertaken (a) within the budget year and (b) within the five next succeeding years. In preparing the budget, the City Manager shall review the estimates and may revise the estimates, as he may deem advisable."

2. **Excerpts** - from other sections of Article VI.

- 6.13 - It shall set forth the reasons for salient changes from the previous year in cost and revenue items and shall explain any major changes in financial policy.
- 6.15 - The City Manager shall also include a capital program of proposed capital projects for the next five fiscal years.
- 6.16 - Attached shall be such supporting schedules, exhibits, and other explanatory material as the City Manager shall believe useful.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. As of September 30, 2010, there were no outstanding encumbrances in the General Fund.

B. Deficit Net Assets

The Water and Sewer System Revenue Enterprise Fund ended the year with a deficit unrestricted net asset balance of \$110,171. The City plans to transfer funds from the Utility Fund in the future to cover this deficit.

IV. Detailed Notes on all Funds

A. Deposits and investments

City Policies and Legal and Contractual Provisions Governing Deposits

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City’s agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At September 30, 2010, the carrying amount of the City’s deposits, (cash and interest-bearing savings accounts) was \$3,520,252 and the bank balance was \$6,077,439.

Custodial Credit Risk

The City’s deposits are subject to custodial credit risk as \$5,045,709 of total deposits are uninsured and are secured by securities held by the pledging financial institutions agent in the City’s name. The City’s deposits were fully collateralized at year-end and throughout the year.

Cash and cash equivalents as of September 30, 2010 were as follows:

	<u>Cash on Hand</u>	<u>Equity in Pooled Cash</u>	<u>Other Deposits</u>	<u>Total</u>
Primary government				
Governmental activities:				
General fund	\$ 835	\$ 1,111,608	\$ 380	\$ 1,112,823
Capital Projects		477,768		477,768
Nonmajor governmental funds		844,394	100,906	945,300
Nonmajor internal service funds		23,267		23,267
Total governmental activities	<u>835</u>	<u>2,457,037</u>	<u>101,286</u>	<u>2,559,158</u>
Business-type activities:				
Utility fund	2,900	954,371	1,640	958,911
Water and Sewer Revenue fund		(16)		(16)
Community Development Block Grant		781		781
Total business-type activities	<u>2,900</u>	<u>955,136</u>	<u>1,640</u>	<u>959,676</u>
Fiduciary funds:				
Private purpose trust funds			1,418	1,418
Total fiduciary funds			<u>1,418</u>	<u>1,418</u>
Total primary government	<u>\$ 3,735</u>	<u>\$ 3,412,173</u>	<u>\$ 104,344</u>	<u>\$ 3,520,252</u>
Discretely presented component unit				
Governmental activities:				
General fund	\$	\$ 1,881,214	\$	\$ 1,881,214
Business-type activities:				
Enterprise fund				
Total discretely presented component unit	<u>\$</u>	<u>\$ 1,881,214</u>	<u>\$</u>	<u>\$ 1,881,214</u>

IV. Detailed Notes on all Funds (continued)

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City of La Marque is not in substantial compliance with the requirements of the Act and with local policies.

The following table includes portfolio balance, the weighted average maturity, and the percentage of the portfolio balance by investment type held by the City as of September 30, 2010:

	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Primary government			
Governmental activities:			
Money Market Mutual funds:			
DWS Institutional Shares	\$ 111,181	1.0%	1
	<u>111,181</u>	<u>1.0%</u>	
Local government investment pools:			
Logic	1,512,593	15.0%	40
TexPool	5,240,039	53.0%	30
	<u>6,752,632</u>	<u>68.0%</u>	22
Total governmental activities	<u>6,863,813</u>	<u>69.0%</u>	22
Business-type Activities:			
Certificates of deposit	468,360	4.7%	108
	<u>468,360</u>	<u>4.7%</u>	5
Mutual funds:			
DWS Institutional Shares	712,465	7.2%	1
	<u>712,465</u>	<u>7.2%</u>	
Local government investment pools:			
Logic	842,542	8.5%	40
TexPool	1,056,702	10.6%	30
	<u>1,899,244</u>	<u>19.1%</u>	7
Total business-type activities	<u>3,080,069</u>	<u>31.0%</u>	12
Total primary government	<u>\$ 9,943,882</u>	<u>100.0%</u>	34

IV. Detailed Notes on all Funds (continued)

	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Discretely presented component unit			
Governmental activities:			
Certificates of deposit	\$ 270,000	10.3%	327
	<u>270,000</u>	<u>10.3%</u>	34
Money Market Mutual funds			
DWS Institutional Shares	244		1
	<u>244</u>		
Local government investment pools			
TexPool	1,982,308	76.0%	30
	<u>1,982,308</u>	<u>76.0%</u>	23
Total governmental activities	<u>2,252,552</u>	<u>86.3%</u>	57
Business-type Activities:			
Money market accounts			
Merrill Lynch	356,862	13.7%	1
	<u>356,862</u>	<u>13.7%</u>	
Total business-type activities	<u>356,862</u>	<u>13.7%</u>	
Total discretely presented component unit	<u>\$ 2,609,414</u>	<u>100.0%</u>	57

Additional policies and contractual provisions governing deposits and investments for The City of La Marque are specified below:

Interest Rate Risk

The City has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate changes.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has a formal investment policy that further limits its investment choices. As of September 30, 2010, the City's investment in TexPool was rated AAA by Standard and Poors. The City's investment in Logic was rated AAAM by Standard and Poors. The City's investment in DWS was rated AAAM by Standard and Poor's.

Concentration of Credit Risk

Although there is no credit risk associated with the investments currently held, the City has a formal investment policy that places limits on the amount the City may invest in any one issuer. The following is a recap of City investments by type with maximum percentages per the formal investment policy.

	<u>Fair Value</u>	<u>Maximum</u>	<u>Percent Invested</u>
Certificates of deposit	\$ 738,360	100.0%	5.9%
Local government investment pools	10,634,184	100.0%	84.7%
Money market accounts	356,862	50.0%	2.8%
Mutual funds	823,890	50.0%	6.6%
	<u>\$ 12,553,296</u>		<u>100.0%</u>

IV. Detailed Notes on all Funds (continued)

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for investment custodial credit risk. Of the total \$9,943,882 invested by the City, \$468,360 is exposed to custodial credit risk. The entire amount exposed was held in the City's name by the counterparty.

Adjustment to Investment Fair Values

The City's portfolio fluctuates in an inverse relationship to any change in interest rates. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen. Investments are reported by the City at fair value in accordance with Governmental Accounting Standards. The city had no gains or losses from the sale of investments. Changes in market values of investments are included in investment earnings as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Interest income	\$ 13,523	\$ 3,210	\$ 16,733
Total Investment Earnings	<u>\$ 13,523</u>	<u>\$ 3,210</u>	<u>\$ 16,733</u>

DWS Institutional Shares

DWS Institutional Shares ("DWS") is an SEC registered money market mutual fund rated AAAM by Standard & Poors. The portfolio consists exclusively of U.S. Treasury bills, notes, bonds and other obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and related repurchase agreements. The portfolio also may consist of investments in repurchase agreements collateralized by U.S. Treasury and Agency Securities.

To maintain its money market fund status, the DWS fund seeks to maintain a stable \$1.00 share price and follows the following rules:

- individual securities must have remaining maturities of no more than 397 days and be denominated in U.S. dollars,
- the dollar-weighted average maturity of the portfolio's holdings cannot exceed 90 days, and
- all securities must be in the top two credit grades for short-term debt securities.

The fair value of DWS investments are based on quoted market values of underlying investments of the pool. DWS is a money market mutual fund. The investments are reported by the City at amortized cost in accordance with the 90-day exception rule of GASB 31. No unrealized gains are reported in the financial statements under the 90-day exception in GASB 31 to reporting unrealized gains/losses.

The investment in DWS and any accrued interest may be redeemed at the City's discretion.

IV. Detailed Notes on all Funds (continued)

Tex Pool

The fair value of TexPool investments is based on quoted market values of underlying investments of the pool. TexPool is an investment service authorized by the Texas Legislature and administered by the State Comptroller. The investments are reported by the City at amortized cost in accordance with the 90-day exception rule of GASB 31. All gains/losses are reported in the financial statements for realized gains/losses. No unrealized gains are reported in the financial statements under the 90-day exception in GASB 31 to reporting unrealized gains/losses.

The purpose of Texpool is to allow for the pooling of public funds to provide a higher yield on the pooled investment than would be possible with the investment of the individual public entity's funds. These investments are subject to the same safety investment instruments for public funds, including repurchase agreements, U.S. Treasury bills and bonds, securities of other U.S. government agencies, commercial paper and other safe instruments.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 in order to ensure a more conservative investment strategy and to provide a much higher level of investment safety for local government funds.

TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The investment in TexPool and any accrued interest may be redeemed at the City's discretion.

Logic

LOGIC, Local Government Investment Cooperative is an investment program for local governments within the State of Texas. Investments are subject to the strict requirements of the Public Funds Investment Act and LOGIC may invest in any of the securities authorized by statute. The pool must demonstrate compliance with Chapter 2256, Sections .016, .017, .018 and .019. The fair value of LOGIC investment is based on quoted market values of underlying investments of the pool. The investments are reported by the City at amortized cost in accordance with the 90-day exception rule of GASB 31. All gains/losses are reported in the financial statements for realized gains/losses. No unrealized gains are reported in the financial statements under the 90-day exception in GASB 31 to reporting unrealized gains/losses. The fair value of the position in LOGIC is the same as the value of the pool shares. Logic is rated AAAM by Standard & Poors.

IV. Detailed Notes on all Funds (continued)

B. Property Taxes

Property taxes are levied by October 1st in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Appraised values are established by the Central Appraisal District (CAD) of Galveston County, Texas. Taxes are levied by City Council based on the appraised values received from Galveston Central Appraisal District. Billing and collection of tax levies are performed by the Galveston County Tax Assessor/Collector.

Property tax rates, established in accordance with state law, are levied on real and personal property within the City's boundaries for use in financing general government and debt service expenditures. Tax rates levied to finance general government and debt service expenditures for the fiscal year were \$0.407102 and \$0.107258, respectively, based on an assessed property valuation of approximately \$607 million resulting in an adjusted tax levy of approximately \$3.1 million. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Governmental funds net property taxes receivable at September 30, 2010, consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Delinquent taxes:			
Current year levy	\$ 118,886	\$ 31,323	\$ 150,209
Prior year levy	355,967	81,061	437,028
Total delinquent taxes	<u>474,854</u>	<u>112,384</u>	<u>587,237</u>
Penalties and interest on taxes	309,309	76,756	386,066
Total taxes, penalties and interest	<u>784,163</u>	<u>189,140</u>	<u>973,303</u>
Less allowance for uncollectible taxes	<u>(330,161)</u>	<u>(88,697)</u>	<u>(418,858)</u>
Net property taxes receivable	<u>\$ 454,002</u>	<u>\$ 100,443</u>	<u>\$ 554,445</u>

IV. Detailed Notes on all Funds (continued)

C. Customer Receivables

Customer receivables consist of amounts billed to the residents of the City for refuse collection, water and sewer service, emergency transports, and Connect Transit services. Amounts receivable are reported net of an allowance for uncollectible receivables which is based upon historical collection experience.

Customer receivables at September 30, 2010, consisted of the following:

	Governmental Activities	Business-type Activities	Total
Refuse, water and sewer receivables			
Refuse	\$ 318,874	\$	\$ 318,874
Water and sewer		714,470	714,470
Total refuse, water and sewer	<u>318,874</u>	<u>714,470</u>	<u>1,033,344</u>
Less allowance for uncollectible accounts	<u>(110,887)</u>	<u>(239,489)</u>	<u>(350,376)</u>
Net refuse, water and sewer receivables	<u>207,987</u>	<u>474,981</u>	<u>682,968</u>
Emergency transport receivables			
EMS transport receivables	80,686		80,686
Less allowance for uncollectible accounts	(6,950)		(6,950)
Net emergency transport receivables	<u>73,736</u>		<u>73,736</u>
Connect Transit receivable	<u>1,777</u>		<u>1,777</u>
Net customer receivables	<u>\$ 283,500</u>	<u>\$ 474,981</u>	<u>\$ 758,481</u>

IV. Detailed Notes on all Funds (continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance September 30, 2010</u>
Primary government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 210,370	\$	\$	\$ 210,370
Construction in progress	356,414		(356,414)	
Total capital assets, not being depreciated	<u>566,784</u>		<u>(356,414)</u>	<u>210,370</u>
Capital assets, being depreciated:				
Buildings and structures	2,690,961			2,690,961
Improvements other than buildings	21,817,209	3,489,211		25,306,420
Vehicles	1,228,197	147,030		1,375,227
Machinery and equipment	2,624,206	450,157		3,074,363
Furniture and office equipment	337,292	11,044		348,336
Total Capital assets, being depreciated	<u>28,697,865</u>	<u>4,097,442</u>		<u>32,795,307</u>
Less accumulated depreciation for:				
Buildings and structures	(1,476,129)	(64,587)		(1,540,716)
Improvements other than buildings	(12,981,578)	(617,953)		(13,599,531)
Vehicles	(794,512)	(84,801)		(879,313)
Machinery and equipment	(1,985,657)	(139,995)		(2,125,652)
Furniture and office equipment	(228,627)	(42,943)		(271,570)
Total accumulated depreciation	<u>(17,466,503)</u>	<u>(950,279)</u>		<u>(18,416,782)</u>
Governmental capital assets	<u>\$ 11,798,146</u>	<u>\$ 3,147,163</u>	<u>\$ (356,414)</u>	<u>\$ 14,588,895</u>

IV. Detailed Notes on all Funds (continued)

D. Capital Assets (continued)

	Balance October 1, 2009	Additions	Retirements and Transfers	Balance September 30, 2010
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 209,774	\$	\$	\$ 209,774
Construction in progress		22,102		22,102
Total capital assets, not being depreciated	<u>209,774</u>	<u>22,102</u>		<u>231,876</u>
Capital assets, being depreciated:				
Buildings and structures	116,805			116,805
Improvements other than buildings	33,909,675			33,909,675
Vehicles	1,169,987			1,169,987
Machinery and equipment	684,879			684,879
Leased assets purchased under capital lease	260,000			260,000
Total capital assets, being depreciated	<u>36,141,346</u>			<u>36,141,346</u>
Less accumulated depreciation for:				
Buildings and structures	(91,354)	(2,979)		(94,333)
Improvements other than buildings	(19,686,602)	(1,150,287)		(20,836,889)
Vehicles	(1,052,087)	(26,970)		(1,079,057)
Machinery and equipment	(587,958)	(44,004)		(631,962)
Leased assets purchased under capital lease	(26,000)	(26,000)		(52,000)
Total Accumulated depreciation	<u>(21,444,001)</u>	<u>(1,250,240)</u>		<u>(22,694,241)</u>
Business-type capital assets	<u>\$ 14,907,119</u>	<u>\$ (1,228,138)</u>	<u>\$</u>	<u>\$ 13,678,981</u>
Discretely presented component unit				
Governmental activities:				
Machinery and equipment	\$ 28,012	\$	\$	\$ 28,012
Less accumulated depreciation	(28,012)			(28,012)
Total capital assets, net	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	Depreciation Expense
Governmental activities:	
General government	\$ 33,716
Public safety	190,240
Public works	724,456
Sanitation	1,867
Total Governmental activities	<u>950,279</u>
Business-type activities:	
Utility	1,089,415
Water and sewer system revenue	160,825
Total Business-type activities:	<u>1,250,240</u>
Total	<u>\$ 2,200,519</u>

IV. Detailed Notes on all Funds (continued)

D. Capital Assets (continued)

Construction Commitments

The City has an active construction project as of September 30, 2010. The project includes various sewer improvements. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	Approved Construction Budget	Construction in Progress	Estimated Remaining Commitment
Sewer improvements	\$ 350,000	\$ 22,102	\$ 327,898
	<u>\$ 350,000</u>	<u>\$ 22,102</u>	<u>\$ 327,898</u>

E. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables are utilized as an offset to a fund's deficit cash with another fund's positive cash. The composition of interfund balances as of September 30, 2010, is as follows:

	Due From Other Funds	Due To Other Funds	Net
Primary government			
Governmental activities:			
General fund	\$ 242,888	\$	\$ 242,888
Capital Projects	16,000	(74,763)	(58,763)
Nonmajor governmental funds	31,000	(31,000)	
Nonmajor internal service funds		(42,000)	(42,000)
Total governmental activities	<u>289,888</u>	<u>(147,763)</u>	<u>142,125</u>
Business-type activities:			
Utility fund	466,207	(207,049)	259,158
Water and Sewer Revenue fund		(370,283)	(370,283)
Community Development Block Grant		(31,000)	(31,000)
Total business-type activities	<u>466,207</u>	<u>(608,332)</u>	<u>(142,125)</u>
Total primary government	<u>\$ 756,095</u>	<u>\$ (756,095)</u>	<u>\$</u>
Discretely presented component unit			
Governmental activities:			
General fund	\$ 1,772,784	\$	\$ 1,772,784
Business-type activities:			
Enterprise fund		(1,772,784)	(1,772,784)
Total discretely presented component unit	<u>\$ 1,772,784</u>	<u>\$ (1,772,784)</u>	<u>\$</u>

IV. Detailed Notes on all Funds (continued)

E. Interfund Receivables, Payables, and Transfers (continued)

The principal purpose of interfund transfers is to fund the equipment replacement and equipment maintenance insurance funds and to cover the cost of equipment purchased in the general fund.

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
Primary government			
Governmental activities:			
General fund	\$ 513,708	\$ (19,675)	\$ 494,033
Nonmajor governmental funds	4,675	(20,000)	(15,325)
Nonmajor internal service funds	54,092	(357,610)	(303,518)
Total governmental activities	<u>572,475</u>	<u>(397,285)</u>	<u>175,190</u>
Business-type activities:			
Utility fund	725,829	(1,266,684)	(540,855)
Water and Sewer Revenue fund	365,665		365,665
Total business-type activities	<u>1,091,494</u>	<u>(1,266,684)</u>	<u>(175,190)</u>
Total primary government	<u>\$ 1,663,969</u>	<u>\$ (1,663,969)</u>	<u>\$</u>

F. Leases

Operating Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment are classified as State of Texas Rental Contracts and are cancelable contingent upon budget funding approval. The City is therefore not obligated for any future minimum rental payments at September 30, 2010.

The imputed interest on the leases is not readily determinable.

Rental expenditures during the year ended September 30, 2010, were \$ 26,954.

Capital Lease Obligations

The City entered into a capital lease agreement in the amount of \$260,000 to purchase equipment. The effective interest rate for the lease is 5.480 percent. Utility fund revenues are used to retire this capital lease obligation. The capital lease matures semi-annually through December 2015.

The following schedule presents the payment requirements to maturity:

Year Ending			
September 30,	Principal	Interest	Totals
2011	\$ 34,050	\$ 11,171	\$ 45,221
2012	35,942	9,280	45,222
2013	37,938	7,283	45,221
2014	40,046	5,176	45,222
2015	42,271	2,951	45,222
2016	22,090	521	22,611
	<u>\$ 212,337</u>	<u>\$ 36,382</u>	<u>\$248,719</u>

IV. Detailed Notes on all Funds (continued)

G. Long-term Debt

1. Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Balance October 1, 2009	Additions	Retirements	Balance September 30, 2010	Due Within One Year
Primary government					
Governmental activities:					
Certificates of obligation	\$ 6,710,000	\$	\$ (210,000)	\$ 6,500,000	\$ 220,000
Compensated absences	972,707	550,929	(659,108)	864,528	387,949
Net OPEB obligation	266,195	266,195		532,389	
Supplemental annuities	79,354	118,214	(25,696)	171,872	25,804
Total governmental activities	<u>8,028,256</u>	<u>935,338</u>	<u>(894,804)</u>	<u>8,068,789</u>	<u>633,753</u>
Business-type activities					
Bonds and contracts payable:					
Revenue bonds	5,520,000		(555,000)	4,965,000	560,000
Long-term contracts	2,635,000		(150,000)	2,485,000	170,000
Capital lease	244,595		(32,258)	212,337	34,050
Total bonds and contracts payable	<u>8,399,595</u>		<u>(737,258)</u>	<u>7,662,337</u>	<u>764,050</u>
Compensated absences	158,557	87,296	(58,332)	187,521	52,075
Total business-type activities	<u>8,558,152</u>	<u>87,296</u>	<u>(795,590)</u>	<u>7,849,858</u>	<u>816,125</u>
Total primary government	<u>\$ 16,586,408</u>	<u>\$ 1,022,634</u>	<u>\$ (1,690,394)</u>	<u>\$ 15,918,647</u>	<u>\$ 1,449,878</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

2. Certificates of Obligation

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and major equipment. Certificates of obligation have been issued for governmental activities. The original amount of certificates of obligation issued in prior years was \$8,165,000. During the year, no certificates of obligation were issued.

Certificates of obligation are direct obligations and pledge the full faith and credit of the City. These certificates were issued as 25-year, 22-year and 15-year certificates with various amounts of principal maturing each year.

Certificates of obligations outstanding at year-end are as follows:

Issue	Original Issuance Amount	Interest Rate	Maturity Date	Debt Outstanding
Certificates of obligation - Series 2005	3,490,000	4.00% to 5.00%	2029	\$ 3,020,000
Certificates of obligation - Series 2007	3,750,000	4.50% to 4.75%	2029	3,480,000
Total certificates of obligation payable				<u>6,500,000</u>
Less current portion				<u>(220,000)</u>
Long-term portion				<u>\$ 6,280,000</u>

IV. Detailed Notes on all Funds (continued)

G. Long-term Debt (continued)

2. Certificates of Obligation (continued)

Annual debt service requirements to maturity for certificates of obligation are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 220,000	\$ 273,356	\$ 493,356
2012	230,000	262,656	492,656
2013	240,000	251,469	491,469
2014	250,000	240,944	490,944
2015	265,000	230,269	495,269
2016	280,000	218,944	498,944
2017	290,000	206,994	496,994
2018	305,000	195,713	500,713
2019	315,000	183,856	498,856
2020	330,000	171,251	501,251
2021	345,000	158,037	503,037
2022	365,000	143,837	508,837
2023	380,000	128,813	508,813
2024	400,000	113,000	513,000
2025	415,000	96,353	511,353
2026	435,000	79,070	514,070
2027	455,000	60,850	515,850
2028	480,000	41,790	521,790
2029	500,000	21,323	521,323
	<u>6,500,000</u>	<u>\$ 3,078,525</u>	<u>\$ 9,578,525</u>
	(220,000)	Less Current Portion	
	<u>\$ 6,280,000</u>	Long-term portion	

3. Revenue Bonds and other Long-term Debt

The City also issues bonds for which the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for business -type activities. The original amount of revenue bonds issued in prior years was \$9,040,000. During the year, no revenue bonds were issued.

The City has also entered into contracts for which the City pledges sufficient sums to retire the water contract revenue bonds of the Gulf Coast Water Authority. These contracts are for business-type activities. The original amount of contracts entered into in prior years was \$3,040,000. During the year, the City entered into no new contracts.

IV. Detailed Notes on all Funds (continued)

G. Long-term Debt (continued)

3. Revenue Bonds and other Long-term Debt (continued)

Primary Government

Revenue bonds and other long-term debt outstanding at year-end are as follows:

<u>Issue</u>	<u>Original Issuance Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Revenue bonds:				
Revenue bonds - Series 1996	\$ 4,440,000	3.00% to 4.55%	2016	\$ 2,110,000
Revenue bonds - Series 1998	\$ 4,600,000	2.50% to 3.65%	2018	2,855,000
	Total revenue bonds payable			4,965,000
	Less current portion			(560,000)
	Long-term portion			\$ 4,405,000
Long-term contracts:				
Water system contract refunding bonds - Series 1998-D	\$ 3,040,000	4.15% to 5.00%	2018	\$ 2,485,000
	Total long-term contracts payable			2,485,000
	Less current portion			(170,000)
	Long-term portion			\$ 2,315,000

Revenue bond and long-term contracts debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 730,000	\$ 319,398	\$ 1,049,398
2012	760,000	289,597	1,049,597
2013	790,000	258,058	1,048,058
2014	825,000	224,767	1,049,767
2015	860,000	189,593	1,049,593
2016	895,000	152,630	1,047,630
2017	780,000	113,975	893,975
2018	790,000	82,737	872,737
2019	225,000	51,000	276,000
2020	240,000	39,750	279,750
2021	250,000	27,750	277,750
2022	305,000	15,250	320,250
	7,450,000	\$ 1,764,505	\$ 9,214,505
	(730,000)	Less Current Portion	
	\$ 6,720,000	Long-term portion	

IV. Detailed Notes on all Funds (continued)

G. Long-term Debt (continued)

4. Long-term contracts payable

Gulf Coast Water Authority

According to the contract between the City of La Marque and the Gulf Coast Water Authority (GCWA), the City agreed to provide sufficient sums to retire the water contract revenue bonds of the GCWA. In return, the proceeds of the contract revenue bonds have been used to finance the construction of a water transmission main from a water treatment plant located in the City of Texas City to the City of La Marque and upgrade the City of La Marque's water supply and distribution system. The improvements were necessary to convert the City of La Marque to a surface water supply. The project was completed in November, 1982.

On July 1, 1998, the City of La Marque entered into a long-term contract with the Gulf Coast Water Authority (GCWA), formerly Galveston County Water Authority, to build and improve facilities for potable water transportation to the City of La Marque. The GCWA is a conservation and reclamation district created by Chapter 712, Acts of the 59th Texas Legislature, 1965, as amended (compiled as Article 8280-339, Vernon's Texas Civil Statutes, as amended). The GCWA issued bonds totaling \$3,040,000 in 1998 under the title "Gulf Coast Water Authority Water System Contract Revenue Bonds, Series 1998 D - City of La Marque Project". Under the contract, the City agreed to provide sufficient sums to retire the bonds.

Additionally, the City entered into a contract to purchase water from the Gulf Coast Water Authority which includes an agreement to provide funds to cover bonds obtained by the GCWA for waterline improvements within the corporate boundaries of the City. This commitment will be paid as part of water purchases expense in the Utility fund.

5. Restricted Net Assets for Revenue Bond Debt Service

Water Contract Refunding Bonds, Series 1998-D	\$ 408,817
Total revenue bond debt service reserve	<u><u>\$ 408,817</u></u>

As required by a city ordinance adopted on August 26, 1996, the City agreed to maintain reserve funds for Series 1996 and 1998 Water and Sewer Revenue Bonds, based upon the average debt requirements of \$361,975 and \$342,477, respectively. The City had a sixty-month period to accumulate the required reserves.

Once attained, the reserves were to remain level until the bonds were paid in full. However, on July 13, 1998 a new ordinance was passed which allowed the City to satisfy the Reserve Fund Requirements by obtaining Reserve Fund Surety Policies. A Reserve Fund Surety Policy was purchased on August 13, 1998 which allowed funded amounts in the Reserve Funds to be released for any of the purposes for which such funds may be lawfully applied. Therefore, no interest and sinking fund reserves are required.

Additionally, a restriction for Water Contract Revenue Bonds, Series 1998D, in the amount of \$408,817, has been recorded as of September 30, 2010.

IV. Detailed Notes on all Funds (continued)

H. Revaluation of Utility Plant

A surplus arising in the amount of \$959,359, from revaluation of the Utility Plant in service is based on an appraisal by Chas. R. Haile Associates, Inc., Consulting Engineers, as of April 1, 1959. This was prior to the dissolution of Galveston County W.C.I.D. #3, which was acquired by the City of La Marque. The surplus is included in invested in capital assets, net of related debt.

I. Designated Fund Balances - Self Insurance

Primary Government

Self-Insurance - A designation for self-insurance has been established in the General and Utility Funds to provide a designation of funds to cover the risk of loss for physical damage to vehicles. This designation is not, nor is it intended to be a traditional self-insurance program. It is rather a designation of funds established to meet deductibles under the City's commercial insurance coverage. The designation for all funds totaled \$47,500 at September 30, 2010.

Discretely presented component unit

Fund balance in the General Fund has been reserved in an amount equal to amounts due from the Mark 45 Business Park Fund.

IV. Detailed Notes on all Funds (continued)

J. Budgeted Special Revenue Funds

The City legally adopts annual budgets for only one of the City's thirteen Special Revenue Funds - Hotel/Motel Room Occupancy Tax Fund. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual on page 92 present only this one fund.

	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgeted special revenue funds			
Total revenues	\$ 131,000	\$ 87,003	\$ (43,997)
Total expenditures	(140,000)	(85,273)	54,727
Excess revenues over (under) expenditures	(9,000)	1,730	10,730
Other Financing Sources (Uses)			
Transfer in			
Transfer (out)		(20,000)	(20,000)
Total other financing sources (uses)		(20,000)	(20,000)
Fund balance - October 1 (Beginning)	820,394	820,394	
Prior period adjustment			
Fund balance - Beginning (As restated)	820,394	820,394	
Fund balance - September 30 (Ending)	811,394	802,124	(9,270)
Unbudgeted special revenue funds			
Total revenues		659,883	659,883
Total expenditures		(627,103)	(627,103)
Excess revenues over (under) expenditures		32,780	32,780
Other Financing Sources (Uses)			
Transfer in		4,675	4,675
Transfer (out)			
Total other financing sources (uses)		4,675	4,675
Fund balance - October 1 (Beginning)	191,799	191,799	
Prior period adjustment		40,011	40,011
Fund balance - Beginning (As restated)	191,799	231,810	40,011
Fund balance - September 30 (Ending)	191,799	269,265	77,466
All special revenue funds			
Total revenues	131,000	746,886	615,886
Total expenditures	(140,000)	(712,376)	(572,376)
Excess revenues over (under) expenditures	(9,000)	34,510	43,510
Other Financing Sources (Uses)			
Transfer in		4,675	4,675
Transfer (out)		(20,000)	(20,000)
Total other financing sources (uses)		(15,325)	(15,325)
Fund balance - October 1 (Beginning)	1,012,193	1,012,193	
Prior period adjustment		40,011	40,011
Fund balance - Beginning (As restated)	1,012,193	1,052,204	40,011
Fund balance - September 30 (Ending)	\$ 1,003,193	\$ 1,071,389	\$ 68,196

IV. Detailed Notes on all Funds (continued)

K. Deferred Revenue

Deferred revenue represents assets that are not available for use by the City to liquidate current year liabilities. Deferred revenue by fund as of September 30, 2010, is as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Community Development Block Grant</u>	<u>Total</u>
Net property taxes receivable	\$ 291,535	\$ 58,330	\$	\$ 349,865
Other unearned revenue	1,448	31,505		32,953
Total	<u>\$ 292,983</u>	<u>\$ 89,835</u>	<u>\$</u>	<u>\$ 382,818</u>

A summary of unavailable and unearned deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental Activities:			
General fund	\$ 291,535	\$ 1,448	\$ 292,983
Nonmajor governmental funds	58,330	31,505	89,835
Total	<u>\$ 349,865</u>	<u>\$ 32,953</u>	<u>\$ 382,818</u>

L. Deferred Charges

Costs related to obtaining revenue bonds and long-term contracts are capitalized and amortized over the term of the related debt using the straight-line method. Costs, accumulated amortization and amortization expense are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
		<u>Utility</u>	<u>Water and Sewer Revenue</u>	<u>Total</u>
Deferred charges:				
Bond issue costs	\$ 117,797	\$ 256,054	\$ 136,374	\$ 392,428
Accumulated amortization	(21,181)	(164,583)	(83,246)	(247,829)
Bond issue costs, net of accumulated amortization	<u>96,616</u>	<u>91,471</u>	<u>53,128</u>	<u>144,599</u>
Premium received on bond issue		55,908		55,908
Accumulated amortization		(28,149)		(28,149)
Premium received on bond issue, net of accumulated amortization		<u>27,759</u>		<u>27,759</u>
Deferred charges, net of accumulated amortization	<u>\$ 96,616</u>	<u>\$ 119,230</u>	<u>\$ 53,128</u>	<u>\$ 172,358</u>
Current year amortization:				
Bond issue costs	\$ 4,923	\$ 11,491	\$ 6,819	\$ 18,310
Premium received on bond issue		2,330		2,330
Total current year amortization	<u>\$ 4,923</u>	<u>\$ 13,821</u>	<u>\$ 6,819</u>	<u>\$ 20,640</u>

When a bond or long-term contract is paid in full, any unamortized deferred costs are written off as current expenditures.

IV. Detailed Notes on all Funds (continued)

M. Prior Period Adjustment

The City, during the fiscal year ended September 30, 2010, determined that fund balances in the Home Grant fund, Section 8 Housing fund, Debt Service fund and Community Development Block Grant fund needed to be adjusted to correct prior year interfund activity. The results of these prior period adjustments are to increase net assets as follows:

	Governmental Activities	Business-type Activities
Beginning Net Assets - As Originally Presented	<u>\$ 13,899,781</u>	<u>\$ 10,591,341</u>
Restatements due to:		
Correction of prior year error in Home Grant fund	38,009	
Reclassify Section 8 revenue recorded as deferred revenue in prior year	2,002	
Correction of prior year error in Debt Service fund	61,479	
Correction of prior year error in Community Development Block Grant		17
Total adjustments to beginning net assets	<u>101,490</u>	<u>17</u>
Beginning net assets - As restated	<u>\$ 14,001,271</u>	<u>\$ 10,591,358</u>

The results of these prior period adjustments are to increase fund balances as follows:

	Home Grant	Section 8	Debt Service
Beginning Fund Balances - As Originally Presented	<u>\$ 645</u>	<u>\$ 28,210</u>	<u>\$ 536,546</u>
Restatements due to:			
Correction of prior year error in Home Grant fund	38,009		
Reclassify Section 8 revenue recorded as deferred revenue in prior year		2,002	
Correction of prior year error in Debt Service fund			61,479
Total adjustments to beginning fund balances	<u>38,009</u>	<u>2,002</u>	<u>61,479</u>
Beginning fund balances - As restated	<u>\$ 38,654</u>	<u>\$ 30,212</u>	<u>\$ 598,025</u>

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Hurricane Ike made landfall in Galveston, Texas on September 13, 2008, causing hurricane force winds, storm surge and severe flooding throughout Galveston County. As a result, the City incurred emergency expenditures related to storm preparation, damage and the subsequent clean up of debris caused by the hurricane. It is Management's opinion that insurance proceeds and federal grant revenues will be sufficient to cover the majority of the costs related to the damage caused by the hurricane.

In addition, a designation for self-insurance has been established in the General and Enterprise Funds to provide a reservation of funds to cover the risk of loss for physical damage to vehicles. This designation is not, nor is it intended to be a traditional self-insurance program. It is rather a designation of funds established to meet deductibles under the City's commercial insurance coverage. The Enterprise Fund designation is reported as unrestricted net assets.

V. Other Information (continued)

A. Risk Management (continued)

	Designated for Self Insurance			
	General Fund	Enterprise Funds	September 30, 2010	September 30, 2009
Balance, October 1, 2009	\$ 40,000	\$ 7,500	\$ 47,500	\$ 47,500
Balance, September 30, 2010	\$ 40,000	\$ 7,500	\$ 47,500	\$ 47,500

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. Health care Coverage

During the year ended September 30, 2010, employees of the City of La Marque, Texas were covered by a health insurance plan. The City paid \$910,455 in annual premiums to the Plan. All premiums were paid to a licensed insurer. The policy is renewable on an annual basis.

C. Deferred Compensation Plan

The City offers its employees the opportunity to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The City provides neither administrative services nor investment advice for the plan. Accordingly, no assets or liabilities are reported in the financial statements of the City.

D. Contingent Liabilities

Primary Government

Grants - The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City of La Marque, Texas at September 30, 2010.

Litigation - The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Discretely Presented Component Unit

At September 30, 2010, there are no lawsuits pending against the Corporation which would in the opinion of legal counsel, result in claims which would have a material effect on the financial statements of the Corporation.

V. Other Information (continued)

E. Other Post Employment Benefits

Plan Description

The City provides post-employment healthcare benefits as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA) to all employees who retire from the City of La Marque. Insurance premiums are fully funded by the City as required by council policy. During the year ended September 30, 2010 seventeen participants were eligible to receive benefits. The City paid \$124,356 in premiums to insure former employees.

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For financial reporting purposes, an actuarial valuation is required at least triennially for plans with fewer than 200 members. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008, as required by GASB. The components of the City's annual OPEB cost for the fiscal year ending September 30, 2010, are as follows:

Other Post Employment Benefits (OPEB) Obligation	
Annual required contribution	\$ 580,338
Add: Interest on Net OPEB Obligation	
Less: Adjustments to the ARC	
Annual OPEB cost (expense)	580,338
Less: Net estimated employer contributions	(314,143)
Increase in net OPEB Obligation	266,195
Net OPEB Obligation, Beginning of Year	266,195
Net OPEB Obligation, End of Year	<u>\$ 532,390</u>

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of March 31, 2008 is as follows:

Actuarial	Actuarial	Actuarial	Unfunded	Fund
Valuation	Value of Assets	Accrued	Actuarial Accrued	Ratio (%)
Date	(a)	(b)	(b-a)	(a/b)
3/31/2008	\$	\$ 6,291,130	\$ 6,291,130	0.0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial liability exceeding actuarial assets by \$6,291,130 at March 31, 2008.

V. Other Information (continued)

E. Other Post Employment Benefits (continued)

Actuarial Methods and Assumptions

The Projected Unit Credit, Level Percent of Payroll actuarial cost method has been used to calculate the GASB ARC for the City’s retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systemic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. If experience is in accordance with the assumptions used, the ARC will increase at approximately the same rate as active member payroll, and the ARC as a percentage of payroll will remain basically level on a year to year ratio. This is both an acceptable and reasonable cost method. The use of another actuarial cost method would produce different results. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions	
Actuarial valuation date	3/31/2008
Actuarial cost method	Projected unit credit cost method
Amortization method	Level percentage of payroll
Amortization period	30 years
Investment rate of return	4.5%
Projected salary increase	3.0% per annum

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. Employee Retirement Systems and Pension Plans

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 837 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

V. Other Information (continued)

F. Employee Retirement Systems and Pension Plans (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of 2/01/09*):

Deposit Rate:	5%
Matching Ratio (City to Employee):	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City.

The Service Retirement Eligibilities for the City (expressed as years of service/age) are:
5 yrs/age 60, 20 yrs/any age

The City of La Marque is one of 837 municipalities having the benefit plan administered by TMRS. Each of the 837 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/09 valuations are contained in the 2009 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate.

Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2009 valuation is effective for rates beginning January 2011).

(* To ensure the most accurate future rates are determined for the City, TMRS provided plan provisions as of 2/01/10 to the actuary in calculating the 12/31/09 valuation).

V. Other Information (continued)

F. Employee Retirement Systems and Pension Plans (continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial valuation date	12/31/09	12/31/08	12/31/07
Actuarial value of plan assets	\$ 8,423,904	\$ 8,165,839	\$ 7,524,647
Actuarial accrued liability	\$12,081,268	\$12,001,000	\$10,719,234
Percentage funded	69.73%	68.04%	70.20%
Unfunded (over-funded) actuarial accrued liability (AAL)	\$ 3,657,364	\$ 3,835,161	\$ 3,194,587
Annual covered payroll	\$ 5,494,998	\$ 5,413,034	\$ 4,591,438
UAAL as a percentage of covered payroll	66.56%	70.85%	69.58%
Net pension obligation (NPO) at the beginning of the period	<u>\$</u>	<u>\$</u>	<u>\$</u>
Annual pension costs:			
Annual required contribution (ARC)	\$ 464,145	\$ 421,800	\$ 424,399
Interest on NPO			
Adjustment to ARC			
Total annual pension costs	<u>464,145</u>	<u>421,800</u>	<u>424,399</u>
Annual reductions in NPO			
Contributions made	464,145	421,800	424,399
Increase in NPO			
Total annual reductions in NPO	<u>464,145</u>	<u>421,800</u>	<u>424,399</u>
NPO at the end of the period	<u>\$</u>	<u>\$</u>	<u>\$</u>

General System-wide Actuarial Assumptions

	<u>12/31/2009</u>	<u>12/31/2008</u>
Actuarial cost method -	Projected unit credit	Projected unit credit
Amortization method -	Level percent of payroll	Level percent of payroll
Remaining amortization period -	28 years - Closed period	29 years - Closed period
Asset valuation method	10-year Smoothed Market (to accurately relect the requirements of GASB statement No. 25, paragraphs 36e and 38	Amortized cost (to accurately relect the requirements of GASB statement No. 25, paragraphs 36e and 38
Investment rate of return -	7.5%	7.5%
Projected salary increases -	Varies by age and service	Varies by age and service
Includes inflation at -	3.0%	3.0%
Cost-of-living adjustments -	2.1%	2.1%

V. Other Information (continued)

F. Employee Retirement Systems and Pension Plans (continued)

Pension Plan B Supplemental Annuity Program

Description of Plan and Terms

Plan - The City maintains a supplemental annuity program, a single-employer defined benefit pension plan.

Plan Membership - All permanent employees of the City are eligible to qualify for the annuity program. The City funds and administers the annuity program. All employees of the City, who have a total of "80" points or more are eligible for the annuity program.

The calculation to determine the amount of points for an employee is to add the employee's number of years of service with the City as a full-time employee to the age of the employee at the time of retirement. This program is limited to full-time employees and seven annuitants, currently.

Plan Benefits - After an eligible employee has selected his retirement option under the Texas Municipal Retirement System and a determination of his monthly TMRS Annuity has been finalized, then that monthly TMRS Annuity would be multiplied by twenty-five percent (25%) to equal the amount of the Supplement the retiree would receive twelve (12) times each year. The amount of the Supplement would be revised annually should the TMRS Annuity change.

The Supplemental Annuity would cease when the employee reaches age sixty-five (65). In the event of death prior to age sixty-five (65), the surviving spouse would receive the Supplemental Annuity until age sixty (60).

Funding Requirements - The cost of the annuity program is funded by the employer. Annuity payments for the year ended September 30, 2010 were \$25,696. The annuity program is a limited program; therefore, unfunded liabilities will remain immaterial, and funding will remain approximately level over time. Annual contributions to the annuity program are from current resources.

Required Supplementary Information



Set your sites on La Marque.

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CITY OF LA MARQUE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Exhibit F-1

	(1)	(2)	(1)/(2)	(1)-(2)	(3)	(2)-(1)/(3)	(4)	(4)/(3)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll	Annual Pension Cost (September 30)	Average City Rate
12/31/2000	\$ 5,993,116	\$ 7,143,243	83.9%	\$ 1,150,127	\$ 2,867,148	40.1%	\$ 239,599	8.4%
12/31/2001	6,598,262	7,662,137	86.1%	1,063,875	2,719,416	39.1%	244,482	9.0%
12/31/2002	7,460,033	8,667,939	86.1%	1,207,906	3,319,943	36.4%	311,582	9.4%
12/31/2003	8,132,647	9,332,163	87.1%	1,199,516	3,291,494	36.4%	303,530	9.2%
12/31/2004	8,485,418	9,892,519	85.8%	1,407,101	3,752,132	37.5%	356,150	9.5%
12/31/2005	8,057,692	9,352,571	86.2%	1,294,879	4,162,216	31.1%	362,411	8.7%
12/31/2006	7,142,772	8,717,257	81.9%	1,574,485	4,106,101	38.3%	369,246	9.0%
12/31/2007	7,524,647	10,719,234	70.2%	3,194,587	4,591,438	69.6%	424,399	9.2%
12/31/2008	8,165,839	12,001,000	68.0%	3,835,161	5,413,034	70.9%	421,800	7.8%
12/31/2009	8,423,904	12,081,268	69.7%	3,657,364	5,494,998	66.6%	464,145	8.4%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of Texas Municipal Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability and covered payroll approximately adjusts for the effects of inflation and aids analysis of Texas Municipal Retirement System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Public Employee Retirement System.

CITY OF LA MARQUE, TEXAS
OTHER POST EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS

Exhibit F-2

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(1)/(2) Funded Ratio	(1)-(2) Unfunded AAL (UAAL)	(3) Covered Payroll	(2)-(1)/(3) UAAL as a Percentage of Covered Payroll
3/31/2008	\$	\$ 6,291,130	0.0%	\$ 6,291,130	4,591,438	137.0%

Other Supplementary Information

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Hotel/Motel Room Occupancy Tax Fund - This fund accounts for revenues derived from the City Room Occupancy Tax. State Statutes require that such revenues be used for (a) the acquisition of sites for and the construction, improvement, operation, and maintenance of convention center facilities; (b) advertising for general promotion and tourist advertising of the City; (c) the encouragement, promotion, improvement, and application of the site; and (d) historical preservation and restoration.

Justice Assistance Grant (JAG) – OSSI – This fund accounts for revenues and expenditures related to technology and data drive equipment, computer hardware and software for Community Policing activities. These funds are received from Galveston County, as part of a grant funded by the Department of Justice.

Drug Seizure Fund - This fund accounts for money and property forfeitures arising out of the Health and Safety Code (formerly the Controlled Substance Act). Proceeds are used only for law enforcement purposes.

Home Grant - This fund accounts for grants received to increase available funding to provide affordable housing and related services.

Public Improvement District - This fund accounts for assessments levied on property within Public Improvement Districts. The funds are used to pay debt related to infrastructure improvements within the City.

Section 8 Fund - This fund accounts for a federal grant from the United States Department of Housing and Urban Development used for housing assistance and utility payments.

Parks Fund - This fund accounts for the collection of donated park improvement funds restricted to park improvement activities.

Court Technology Fund - This fund accounts for the receipt of revenues from court fines and is restricted to expenditures for court technology.

Court Security Fund - This fund accounts for the receipt and expenditures of revenues from court fines for court security.

Child Safety Fund - This fund accounts for the receipt and expenditures of revenues derived from school zone violations and is restricted to funding for child safety initiatives.

LEOSE Training Fund - This fund accounts for revenues from the Law Enforcement Officer Standards and Education and is restricted to expenditures related to the continuing education and training of persons licensed as commissioned peace officers.

Motco Landscaping Fund - This fund accounts for revenues and expenditures related to beautification of a former industrial site.

Clean City Fund - This fund accounts for the revenues and expenditures related to enforcement of existing city ordinances.

Debt Service Fund

This fund is used to account for the accumulation of resources for the payment of interest and principal on long-term debt.

CITY OF LA MARQUE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010

	Hotel/Motel Occupancy Tax	JAG Grant - OSSI	Drug Seizure
Assets			
Cash and cash equivalents	\$ 185,806	\$ 31,478	\$ 7,337
Investments	607,590		
Property taxes receivable, net			
Other taxes receivable, net	18,561		
Due from other funds			
Due from other governments			
Other receivables			
Total assets	<u><u>\$ 811,957</u></u>	<u><u>\$ 31,478</u></u>	<u><u>\$ 7,337</u></u>
Liabilities			
Accounts payable	\$ 9,833	\$	\$ 649
Accrued expenditures			1,845
Due to other funds			
Due to other governments			
Deferred revenue		31,502	
Total liabilities	<u><u>9,833</u></u>	<u><u>31,502</u></u>	<u><u>2,494</u></u>
Fund Balance			
Reserved for:			
Debt service			
Special revenue funds		(24)	
Unreserved:			
Designated for:			
Future expenditures:			
Reported in special revenue funds	802,124		4,843
Total fund balance	<u><u>802,124</u></u>	<u><u>(24)</u></u>	<u><u>4,843</u></u>
Total liabilities and fund balances	<u><u>\$ 811,957</u></u>	<u><u>\$ 31,478</u></u>	<u><u>\$ 7,337</u></u>

Home Grant	Public Improvement District	Section 8 Fund	Parks Fund
\$ 38,552	\$ 59,195	\$ 100,906	\$ 53,175
	31,000	4,562	
<u>\$ 38,552</u>	<u>\$ 90,195</u>	<u>\$ 105,468</u>	<u>\$ 53,175</u>
\$	\$ 40,354	\$ 17,726	\$ 15,931
	31,000	16,735	
	<u>71,354</u>	<u>34,461</u>	<u>15,931</u>
38,552	18,841	71,007	37,244
<u>38,552</u>	<u>18,841</u>	<u>71,007</u>	<u>37,244</u>
<u>\$ 38,552</u>	<u>\$ 90,195</u>	<u>\$ 105,468</u>	<u>\$ 53,175</u>

CITY OF LA MARQUE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010

	Court Technology Fund	Court Security Fund	Child Safety Fund
Assets			
Cash and cash equivalents	\$ 1,487	\$ 50,669	\$ 24,993
Investments			
Property taxes receivable, net			
Other taxes receivable, net			
Due from other funds			
Due from other governments			
Other receivables		60	
Total assets	<u>\$ 1,487</u>	<u>\$ 50,729</u>	<u>\$ 24,993</u>
Liabilities			
Accounts payable	\$ 45	\$	\$ 1,951
Accrued expenditures			
Due to other funds			
Due to other governments			
Deferred revenue			
Total liabilities	<u>45</u>	<u></u>	<u>1,951</u>
Fund Balance			
Reserved for:			
Debt service			
Special revenue funds	1,442	50,729	23,042
Unreserved:			
Designated for:			
Future expenditures:			
Reported in special revenue funds			
Total fund balance	<u>1,442</u>	<u>50,729</u>	<u>23,042</u>
Total liabilities and fund balances	<u>\$ 1,487</u>	<u>\$ 50,729</u>	<u>\$ 24,993</u>

Leose Training Fund	Motco Landscaping Fund	Clean City Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 8,924	\$ 11,154	\$ 5,466	\$ 579,142	\$ 366,158	\$ 945,300
			607,590	299,034	906,624
				100,443	100,443
			18,561		18,561
			31,000		31,000
			4,562		4,562
			60		60
<u>\$ 8,924</u>	<u>\$ 11,154</u>	<u>\$ 5,466</u>	<u>\$ 1,240,915</u>	<u>\$ 765,635</u>	<u>\$ 2,006,550</u>
\$ 215	\$	\$ 1,740	\$ 88,444	\$	\$ 88,444
			1,845	4,295	6,140
			31,000		31,000
			16,735		16,735
			31,502	58,333	89,835
<u>215</u>		<u>1,740</u>	<u>169,526</u>	<u>62,628</u>	<u>232,154</u>
8,709	11,154	3,726	264,422	703,007	703,007
					264,422
			806,967		806,967
<u>8,709</u>	<u>11,154</u>	<u>3,726</u>	<u>1,071,389</u>	<u>703,007</u>	<u>1,774,396</u>
<u>\$ 8,924</u>	<u>\$ 11,154</u>	<u>\$ 5,466</u>	<u>\$ 1,240,915</u>	<u>\$ 765,635</u>	<u>\$ 2,006,550</u>

CITY OF LA MARQUE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2010

	<u>Hotel/Motel Occupancy Tax</u>	<u>JAG Grant - OSSI</u>	<u>Drug Seizure</u>	<u>Home Grant</u>
Revenues				
Taxes:				
Property	\$	\$	\$	\$
Other	86,047			
Intergovernmental revenue				
Investment earnings	956			
Other revenue			1,392	
Total revenues	<u>87,003</u>		<u>1,392</u>	
Expenditures				
Current:				
General government:	85,273			
Public safety		24	6,494	
Public works				
Urban rehabilitation and housing				102
Debt service:				
Principal on long-term debt				
Interest and fiscal charges				
Capital outlay:				
Public works				
Total expenditures	<u>85,273</u>	<u>24</u>	<u>6,494</u>	<u>102</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>1,730</u>	<u>(24)</u>	<u>(5,102)</u>	<u>(102)</u>
Other Financing Sources (Uses)				
Transfer in				
Transfers (out)	(20,000)			
Total other financing sources (uses)	<u>(20,000)</u>			
Net change in fund balances	(18,270)	(24)	(5,102)	(102)
Fund balances - October 1 (Beginning)	820,394		9,945	645
Prior period adjustment				38,009
Fund balances - Beginning (As restated)	<u>820,394</u>		<u>9,945</u>	<u>38,654</u>
Fund balances - September 30 (Ending)	<u>\$ 802,124</u>	<u>\$ (24)</u>	<u>\$ 4,843</u>	<u>\$ 38,552</u>

Exhibit G-2
Page 1 of 2

Public Improvement District	Section 8 Fund	Parks Fund
\$ 209,739	\$	\$
	303,815	
3,938	88,570	24,006
<u>213,677</u>	<u>392,385</u>	<u>24,006</u>
	46,173	
213,168	305,417	17,865
<u>213,168</u>	<u>351,590</u>	<u>17,865</u>
<u>509</u>	<u>40,795</u>	<u>6,141</u>
<u>509</u>	<u>40,795</u>	<u>6,141</u>
18,332	28,210	31,103
	2,002	
<u>18,332</u>	<u>30,212</u>	<u>31,103</u>
<u>\$ 18,841</u>	<u>\$ 71,007</u>	<u>\$ 37,244</u>

CITY OF LA MARQUE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2010

	Court Technology Fund	Court Security Fund	Child Safety Fund	Leose Training Fund
Revenues				
Taxes:				
Property	\$	\$	\$	\$
Other				
Intergovernmental revenue				
Investment earnings				
Other revenue	13,155	9,480	1,951	3,837
Total revenues	<u>13,155</u>	<u>9,480</u>	<u>1,951</u>	<u>3,837</u>
Expenditures				
Current:				
General government:	30,990	2,145	62	
Public safety				1,341
Public works				
Urban rehabilitation and housing				
Debt service:				
Principal on long-term debt				
Interest and fiscal charges				
Capital outlay:				
Public works				
Total expenditures	<u>30,990</u>	<u>2,145</u>	<u>62</u>	<u>1,341</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(17,835)</u>	<u>7,335</u>	<u>1,889</u>	<u>2,496</u>
Other Financing Sources (Uses)				
Transfer in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	(17,835)	7,335	1,889	2,496
Fund balances - October 1 (Beginning)	19,277	43,394	21,153	6,213
Prior period adjustment				
Fund balances - Beginning (As restated)	<u>19,277</u>	<u>43,394</u>	<u>21,153</u>	<u>6,213</u>
Fund balances - September 30 (Ending)	<u>\$ 1,442</u>	<u>\$ 50,729</u>	<u>\$ 23,042</u>	<u>\$ 8,709</u>

Motco Landscaping Fund	Clean City Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$	\$	\$ 209,739	\$ 625,963	\$ 835,702
		86,047		86,047
		303,815		303,815
		4,894		4,894
		142,391		142,391
		<u>746,886</u>	<u>625,963</u>	<u>1,372,849</u>
	9	164,652		164,652
29		7,888		7,888
		231,033		231,033
		305,519		305,519
			235,696	235,696
			285,285	285,285
	3,284	3,284		3,284
29	3,293	712,376	520,981	1,233,357
(29)	(3,293)	34,510	104,982	139,492
	4,675	4,675		4,675
		(20,000)		(20,000)
	4,675	(15,325)		(15,325)
(29)	1,382	19,185	104,982	124,167
11,183	2,344	1,012,193	536,546	1,548,739
		40,011	61,479	101,490
11,183	2,344	1,052,204	598,025	1,650,229
<u>\$ 11,154</u>	<u>\$ 3,726</u>	<u>\$ 1,071,389</u>	<u>\$ 703,007</u>	<u>\$ 1,774,396</u>

CITY OF LA MARQUE, TEXAS
HOTEL / MOTEL OCCUPANCY TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2010

Exhibit G-3

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes:				
Other	\$ 120,000	\$ 120,000	\$ 86,047	\$ (33,953)
Investment earnings	11,000	11,000	956	(10,044)
Total revenues	<u>131,000</u>	<u>131,000</u>	<u>87,003</u>	<u>(43,997)</u>
Expenditures				
Current:				
General government	140,000	140,000	85,273	54,727
Total expenditures	<u>140,000</u>	<u>140,000</u>	<u>85,273</u>	<u>54,727</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(9,000)</u>	<u>(9,000)</u>	<u>1,730</u>	<u>10,730</u>
Other Financing Sources (Uses)				
Transfer in				
Transfers (out)			(20,000)	(20,000)
Total other financing sources (uses)			<u>(20,000)</u>	<u>(20,000)</u>
Net change in fund balances	(9,000)	(9,000)	(18,270)	(9,270)
Fund balances - Beginning	<u>820,394</u>	<u>820,394</u>	<u>820,394</u>	
Fund balances - Ending	<u>\$ 811,394</u>	<u>\$ 811,394</u>	<u>\$ 802,124</u>	<u>\$ (9,270)</u>

CITY OF LA MARQUE, TEXAS

Exhibit G-4

DEBT SERVICE

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes:				
Property	\$ 568,400	\$ 568,400	\$ 625,963	\$ 57,563
Investment earnings	6,600	6,600		(6,600)
Total revenues	<u>575,000</u>	<u>575,000</u>	<u>625,963</u>	<u>50,963</u>
Expenditures				
Debt service:				
Principal on long-term debt	248,000	248,000	235,696	12,304
Interest and fiscal charges	<u>286,569</u>	<u>286,569</u>	<u>285,285</u>	<u>1,284</u>
Total expenditures	<u>534,569</u>	<u>534,569</u>	<u>520,981</u>	<u>13,588</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>40,431</u>	<u>40,431</u>	<u>104,982</u>	<u>64,551</u>
Other Financing Sources (Uses)				
Transfer in				
Transfers (out)				
Total other financing sources (uses)				
Net change in fund balances	<u>40,431</u>	<u>40,431</u>	<u>104,982</u>	<u>64,551</u>
Fund balances - Beginning	536,546	536,546	536,546	
Prior period adjustment			61,479	
Fund balances - As Restated	<u>536,546</u>	<u>536,546</u>	<u>598,025</u>	<u>61,479</u>
Fund balances - Ending	<u>\$ 576,977</u>	<u>\$ 576,977</u>	<u>\$ 703,007</u>	<u>\$ 126,030</u>



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Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Equipment Replacement - to account for the internal cash funding for equipment replacement costs as needed by City departments.

Equipment Maintenance Insurance - to account for the internal cash funding for equipment maintenance insurance costs as needed by City departments.

CITY OF LA MARQUE, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2010

Exhibit H-1

	<u>Equipment Replacement</u>	<u>Equipment Maintenance Insurance</u>	<u>Total</u>
Assets			
Current assets:			
Unrestricted:			
Cash and cash equivalents	\$ 93	\$ 23,174	\$ 23,267
Investments	962,867		962,867
Total current assets	<u>962,960</u>	<u>23,174</u>	<u>986,134</u>
Total assets	<u>\$ 962,960</u>	<u>\$ 23,174</u>	<u>\$ 986,134</u>
Liabilities			
Current liabilities:			
Accounts payable	\$	\$ 1,072	\$ 1,072
Due to other funds	42,000		42,000
Total current liabilities	<u>42,000</u>	<u>1,072</u>	<u>43,072</u>
Total liabilities	<u>42,000</u>	<u>1,072</u>	<u>43,072</u>
Net Assets			
Unrestricted	920,960	22,102	943,062
Total net assets	<u>\$ 920,960</u>	<u>\$ 22,102</u>	<u>\$ 943,062</u>

CITY OF LA MARQUE, TEXAS

Exhibit H-2

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

For The Year Ended September 30, 2010

	Equipment Replacement	Equipment Maintenance Insurance	Total
Operating revenues			
Charges for services	\$	\$	\$
Total operating revenues			
Operating expenses			
Miscellaneous services		10,688	10,688
Total operating expenses		10,688	10,688
Operating income		(10,688)	(10,688)
Non-operating revenues (expenses)			
Investment earnings	1,807	(49)	1,758
Total non-operating revenues (expenses)	1,807	(49)	1,758
Income before contributions and transfers	1,807	(10,737)	(8,930)
Contributions and transfers			
Transfer in	38,402	15,690	54,092
Transfers (out)	(357,610)		(357,610)
Total contributions and transfers	(319,208)	15,690	(303,518)
Change in net assets	(317,401)	4,953	(312,448)
Total net assets - Beginning	1,238,361	17,149	1,255,510
Total net assets - Ending	\$ 920,960	\$ 22,102	\$ 943,062

CITY OF LA MARQUE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2010

Exhibit H-3

	Equipment Replacement	Equipment Maintenance Insurance	Total
Cash flows from operating activities:			
Receipts from interfund services provided	\$	\$	\$
Cash paid to suppliers for goods and services		(9,616)	(9,616)
Net cash provided by operating activities		(9,616)	(9,616)
Cash flows from non-capital financing activities:			
Transfers in	38,402	15,690	54,092
Transfers (out)	(357,610)		(357,610)
Interfund cash receipts	42,000		42,000
Net cash used for non-capital financing activities	(277,208)	15,690	(261,518)
Cash flows from investing activities:			
Purchase of investments	(2,116)		(2,116)
Interest received from investments	1,807	(49)	1,758
Net cash from investing activities	(309)	(49)	(358)
Net increase (decrease) in cash and cash equivalents	(277,517)	6,025	(271,492)
Cash and cash equivalents, beginning of year	277,610	17,149	294,759
Cash and cash equivalents, end of year	\$ 93	\$ 23,174	\$ 23,267
Reconciliation of net operating income to net cash provided by operating activities:			
Net operating income (loss)	\$	\$ (10,688)	\$ (10,688)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Non-operating income (expense)			
Change in assets and liabilities:			
Increase (decrease) in accounts payable		1,072	1,072
Total adjustments		1,072	1,072
Net cash provided by operating activities	\$	\$ (9,616)	\$ (9,616)

Supplemental Schedules

CITY OF LA MARQUE, TEXAS
COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
September 30, 2010

Description	Account Number	Interest Rate	Maturity Date	Book Value	Fair Value
General fund					
Texpool	12640-00001	0.2332	N/A	\$ 590,461	\$ 590,461
Logic	746012995-01	0.2912	N/A	51,280	51,280
Total general fund				<u>641,741</u>	<u>641,741</u>
Special revenue fund					
<i>Hotel / Motel Occupance Tax fund</i>					
Texpool	12640-00001	0.2332	N/A	29,500	29,500
Logic	746012995-01	0.2912	N/A	578,090	578,090
Total Hotel / Motel Occupancy Tax fund				<u>607,590</u>	<u>607,590</u>
Total special revenue fund				<u>607,590</u>	<u>607,590</u>
Debt service fund					
Texpool	12640-00001	0.2332	N/A	182,802	182,802
Logic	746012995-01	0.2912	N/A	116,232	116,232
Total debt service fund				<u>299,034</u>	<u>299,034</u>
Capital projects					
Texpool	12640-00002	0.2332	N/A	902,260	902,260
Texpool	12640-00003	0.2332		3,450,321	3,450,321
Total capital projects				<u>4,352,581</u>	<u>4,352,581</u>
Enterprise funds					
<i>Utility fund</i>					
Restricted investments:					
Revenue bond debt service					
Certificate of deposit	74-0068338	0.3600	2011	22,500	22,500
Certificate of deposit	74-0068338	0.3600	2011	23,200	23,200
Certificate of deposit	74-0088346	0.3500	2011	422,660	422,660
				<u>468,360</u>	<u>468,360</u>
Plant and lines reserve					
Logic	746012995-01	0.2912	N/A	3,457	3,457
				<u>3,457</u>	<u>3,457</u>
Meter replacement reserve					
DWS	654-0001279	0.0700	N/A	1,754	1,754
Texpool	12640-00001	0.2332	N/A	1,925	1,925
				<u>3,679</u>	<u>3,679</u>
Total restricted investments				<u>475,496</u>	<u>475,496</u>
Unrestricted investments:					
Texpool	12640-00001	0.2332	N/A	1,054,777	1,054,777
Logic	746012995-01	0.2912	N/A	839,085	839,085
DWS	6540001312	0.0700	N/A	450,583	450,583
Total unrestricted investments				<u>2,344,445</u>	<u>2,344,445</u>
Total utility fund				<u>2,819,941</u>	<u>2,819,941</u>

Description	Account Number	Interest Rate	Maturity Date	Book Value	Fair Value
Enterprise funds (Continued)					
<i>Waterworks and sewer system fund</i>					
Restricted investments:					
DWS	654-000-1312	2.00	N/A	\$ 260,128	\$ 260,128
Total restricted investments				<u>260,128</u>	<u>260,128</u>
Total waterworks and sewer system fund				<u>260,128</u>	<u>260,128</u>
Total enterprise funds				<u>3,080,069</u>	<u>3,080,069</u>
Internal service funds					
<i>Equipment replacement fund</i>					
Texpool	12640-00001	2.41	N/A	84,695	84,695
DWS	654-0001279	2.00	N/A	111,181	111,181
Logic	746012995-01	3.16	N/A	766,991	766,991
Total equipment replacement fund				<u>962,867</u>	<u>962,867</u>
Total internal service fund				<u>962,867</u>	<u>962,867</u>
Total - all funds				<u>\$ 9,943,882</u>	<u>\$ 9,943,882</u>



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CITY OF LA MARQUE, TEXAS
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
(modified accrual basis of accounting)
For the Year Ended September 30, 2010

Exhibit I-2

Taxes to account for:			
Delinquent taxes, October 1, 2009	\$ 620,895		
Additions and deletions, net	<u>(78,200)</u>		
Delinquent taxes, October 1, 2009		\$ 542,695	
Current taxes levied, per 2009 tax roll		<u>3,105,857</u>	
Total taxes to account for			\$ 3,648,552
Less collections:			
Current taxes		2,955,648	
Delinquent taxes		<u>105,667</u>	
Total collections			<u>3,061,315</u>
Ending balance to account for			<u>\$ 587,237</u>
Accounted for by:			
Delinquent taxes, from 2009 tax roll	\$ 150,209		
Delinquent taxes receivable, all previous years	<u>437,028</u>		
Delinquent taxes receivable, September 30, 2010			<u>\$ 587,237</u>

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Collection rates:						
Current year levy	95.16%	95.79%	95.26%	94.79%	94.31%	94.47%
Prior year levies	19.47%	18.14%	19.84%	23.34%	23.72%	18.59%

Note: See Table 7 for assessed taxable value information and Table 8 for tax rate information.

CITY OF LA MARQUE, TEXAS**COMBINED SCHEDULE OF BONDS AND OTHER LONG-TERM DEBT***September 30, 2010*

Description	Interest Rates	Interest Dates	Issue Date
Revenue bonds			
Water and sewer revenue bonds - Series 1996	3.00% to 4.55%	3/1; 9/1	9/26/1996
Water and sewer revenue bonds - Series 1998	2.50% to 3.65%	3/1; 9/1	7/15/1998
Total revenue bonds			
Long-term contracts payable			
Water system contract revenue bonds - Series 1998D	4.15% to 5.00%	2/15; 8/15	7/1/1998
Total long-term contracts payable			
Certificates of obligation			
Series 2005	4.00% to 5.00%	3/1; 9/1	6/1/2005
Series 2007	4.50% to 4.75%	3/1; 9/1	5/14/2007
Total revenue bonds			

Final Maturity Date	Authorized and Issued	Outstanding, September 30, 2010	2010 - 2011 Requirements		
			Principal	Interest	Total
9/1/2016	\$ 4,440,000	\$ 2,110,000	\$ 315,000	\$ 94,360	\$ 409,360
9/1/2018	<u>4,600,000</u>	<u>2,855,000</u>	<u>260,000</u>	<u>101,180</u>	<u>361,180</u>
	<u>\$ 9,040,000</u>	<u>\$ 4,965,000</u>	<u>\$ 575,000</u>	<u>\$ 195,540</u>	<u>\$ 770,540</u>
8/15/2022	<u>\$ 3,040,000</u>	<u>\$ 2,485,000</u>	<u>\$ 155,000</u>	<u>\$ 123,858</u>	<u>\$ 278,858</u>
	<u>\$ 3,040,000</u>	<u>\$ 2,485,000</u>	<u>\$ 155,000</u>	<u>\$ 123,858</u>	<u>\$ 278,858</u>
9/1/2029	\$ 3,490,000	\$ 3,020,000	\$ 100,000	\$ 130,230	\$ 230,230
9/1/2029	<u>3,750,000</u>	<u>3,480,000</u>	<u>120,000</u>	<u>143,126</u>	<u>263,126</u>
	<u>\$ 8,165,000</u>	<u>\$ 6,500,000</u>	<u>\$ 220,000</u>	<u>\$ 273,356</u>	<u>\$ 493,356</u>



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CITY OF LA MARQUE, TEXAS
DEBT SERVICE REQUIREMENTS TO MATURITY
WATER AND SEWER REVENUE BONDS - SERIES 1996
September 30, 2010

Exhibit I-4

WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 1996, dated September 26, 1996, issued for the purpose of improving and extending the City's waterworks and sanitary sewer system, issued in denominations of \$5,000 each, aggregating \$4,440,000, bearing interest at the respective rates per annum shown below, interest payable on March 1 and September 1 of each year until maturity or prior redemption as follows:

Maturities				
Due During Fiscal Year	Interest Rate	Principal	Interest	Total
2011	4.30	\$ 315,000	\$ 94,360	\$ 409,360
2012	4.35	330,000	80,657	410,657
2013	4.40	340,000	66,138	406,138
2014	4.45	360,000	51,007	411,007
2015	4.50	375,000	34,808	409,808
2016	4.55	390,000	17,745	407,745
		<u>\$ 2,110,000</u>	<u>\$ 344,715</u>	<u>\$ 2,454,715</u>

CITY OF LA MARQUE, TEXAS*Exhibit I-5***DEBT SERVICE REQUIREMENTS TO MATURITY****WATER AND SEWER REVENUE BONDS - SERIES 1998***September 30, 2010*

WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 1998, dated July 15, 1998, issued for the purpose of constructing improvements and extending the City's sanitary sewer system, issued in denominations of \$5,000 each, aggregating \$4,600,000, bearing interest at the respective rates per annum shown below, interest payable on March 1 and September 1 of each year until maturity or prior redemption as follows:

Due During Fiscal Year	Interest Rate	Maturities		
		Principal	Interest	Total
2011	3.20	\$ 260,000	\$ 101,180	\$ 361,180
2012	3.30	270,000	92,600	362,600
2013	3.40	280,000	83,420	363,420
2014	3.45	285,000	73,760	358,760
2015	3.50	300,000	63,785	363,785
2016	3.55	310,000	53,135	363,135
2017	3.60	575,000	41,975	616,975
2018	3.65	575,000	20,987	595,987
		<u>\$ 2,855,000</u>	<u>\$ 530,842</u>	<u>\$ 3,385,842</u>

CITY OF LA MARQUE, TEXAS
DEBT SERVICE REQUIREMENTS TO MATURITY
ALL WATER AND SEWER REVENUE BONDS
September 30, 2010

Exhibit I-6

Due During Fiscal Year	Net Debt Outstanding, September 30	Principal	Interest	Total Requirements
2011	\$ 4,390,000	\$ 575,000	\$ 195,540	\$ 770,540
2012	3,790,000	600,000	173,257	773,257
2013	3,170,000	620,000	149,558	769,558
2014	2,525,000	645,000	124,767	769,767
2015	1,850,000	675,000	98,593	773,593
2016	1,150,000	700,000	70,880	770,880
2017	575,000	575,000	41,975	616,975
2018		575,000	20,987	595,987
		<u>\$ 4,965,000</u>	<u>\$ 875,557</u>	<u>\$ 5,840,557</u>

CITY OF LA MARQUE, TEXAS*Exhibit I-7***SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY****ALL LONG-TERM DEBT***September 30, 2010*

Due During Fiscal Year	Revenue Bonds	Certificates of Obligation	Water Contract Revenue Bonds	Total Requirements
2011	\$ 770,540	\$ 493,569	\$ 278,858	\$ 1,542,967
2012	773,257	493,356	276,340	1,542,953
2013	769,558	492,656	278,500	1,540,714
2014	769,767	491,469	280,000	1,541,236
2015	773,593	490,944	276,000	1,540,537
2016	770,880	495,269	276,750	1,542,899
2017	616,975	498,944	277,000	1,392,919
2018	595,987	496,994	276,750	1,369,731
2019		500,713	276,000	776,713
2020		498,856	279,750	778,606
2021		501,251	277,750	779,001
2022		503,037	320,250	823,287
2023		508,837		508,837
2024		508,813		508,813
2025		513,000		513,000
2026		511,353		511,353
2027		514,070		514,070
2028		515,850		515,850
2029		521,790		521,790
2030		521,322		521,322
	<u>\$ 5,840,557</u>	<u>\$ 10,072,093</u>	<u>\$ 3,373,948</u>	<u>\$ 19,286,598</u>

CITY OF LA MARQUE TEXAS
STATISTICAL SECTION

This part of the City of La Marque’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
<i>Financial Trends</i>	112
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	119
These schedules contain information to help the reader access the government’s most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	134
These schedules present information, to help the reader assess the affordability of the government’s, current levels, of outstanding debt and the government’s ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	141
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
<i>Operating Information</i>	146
These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF LA MARQUE, TEXAS

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007*</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 8,753,379	\$ 5,092,044	\$ 5,852,966	\$ 10,126,850
Restricted	5,253,002	4,845,965	5,147,167	901,932
Unrestricted	<u>2,077,749</u>	<u>3,961,772</u>	<u>3,542,276</u>	<u>3,545,879</u>
Total governmental activities net assets	<u><u>\$ 16,084,130</u></u>	<u><u>\$ 13,899,781</u></u>	<u><u>\$ 14,542,409</u></u>	<u><u>\$ 14,574,661</u></u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 6,157,984	\$ 6,911,560	\$ 7,175,278	\$ 7,721,479
Restricted	408,817	277,879	336,366	297,143
Unrestricted	<u>3,191,670</u>	<u>3,401,902</u>	<u>3,303,907</u>	<u>3,624,165</u>
Total business-type activities net assets	<u><u>\$ 9,758,471</u></u>	<u><u>\$ 10,591,341</u></u>	<u><u>\$ 10,815,551</u></u>	<u><u>\$ 11,642,787</u></u>
Primary government				
Invested in capital assets, net of related debt	\$ 14,911,363	\$ 12,003,604	\$ 13,028,244	\$ 17,848,329
Restricted	5,661,819	5,123,844	5,483,533	1,199,075
Unrestricted	<u>5,269,419</u>	<u>7,363,674</u>	<u>6,846,183</u>	<u>7,170,044</u>
Total primary government net assets	<u><u>\$ 25,842,601</u></u>	<u><u>\$ 24,491,122</u></u>	<u><u>\$ 25,357,960</u></u>	<u><u>\$ 26,217,448</u></u>

Note:

Governmental Accounting Standards Board Statement No. 34 implemented during the fiscal year ended September, 30, 2003, therefore no government-wide information is presented prior to that date.

* During the year ended September 30, 2007, the City retroactively reported its general infrastructure assets in accordance with GASB 34.

Table 1

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 3,072,404	\$ 2,726,395	\$ 2,690,543	\$ 2,279,987	\$	\$
3,621,242	418,911	387,551	374,052		
983,738	3,217,289	3,064,707	2,744,373		
<u>\$ 7,677,384</u>	<u>\$ 6,362,595</u>	<u>\$ 6,142,801</u>	<u>\$ 5,398,412</u>	<u>\$</u>	<u>\$</u>
\$ 7,656,487	\$ 8,253,056	\$ 8,285,324	\$ 8,689,599	\$	\$
297,404	297,191	301,553	752,129		
4,067,153	3,629,381	3,536,111	3,064,490		
<u>\$ 12,021,044</u>	<u>\$ 12,179,628</u>	<u>\$ 12,122,988</u>	<u>\$ 12,506,218</u>	<u>\$</u>	<u>\$</u>
\$ 10,728,891	\$ 10,979,451	\$ 10,975,867	\$ 10,969,586	\$	\$
3,918,646	716,102	689,104	1,126,181		
5,050,891	6,846,670	6,600,818	5,808,863		
<u>\$ 19,698,428</u>	<u>\$ 18,542,223</u>	<u>\$ 18,265,789</u>	<u>\$ 17,904,630</u>	<u>\$</u>	<u>\$</u>

CITY OF LA MARQUE, TEXAS

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(Accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenses				
Governmental activities:				
General government	\$ 1,731,537	\$ 1,738,775	\$ 1,442,025	\$ 1,446,482
Public safety	5,402,425	5,739,176	5,752,724	5,017,928
Public works	2,675,651	4,508,388	2,469,011	2,344,263
Sanitation	1,351,656	1,321,865	1,348,961	1,189,657
Urban rehabilitation and housing	305,417	395,837	368,902	290,050
Interest on long-term debt	288,674	298,449	342,517	183,369
Total governmental activities expenses	<u>11,755,360</u>	<u>14,002,490</u>	<u>11,724,140</u>	<u>10,471,749</u>
Business-type activities:				
Utility	4,522,486	4,313,755	4,635,935	4,415,293
Water and sewer	277,661	284,118	292,025	297,685
C.D.B.G.	19,494			
Total business-type activities expenses	<u>4,819,641</u>	<u>4,597,873</u>	<u>4,927,960</u>	<u>4,712,978</u>
Total primary government expenses	<u>\$ 16,575,001</u>	<u>\$ 18,600,363</u>	<u>\$ 16,652,100</u>	<u>\$ 15,184,727</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 54,831	\$ 44,148	\$ 31,870	\$ 31,813
Public safety	1,423,666	1,564,906	1,280,033	1,340,956
Public works	99,757	14,846	71,420	52,038
Sanitation	1,511,130	1,457,459	1,204,840	1,072,582
Operating grants and contributions	3,448,907	1,975,646	1,632,953	626,748
Total governmental activities program revenues	<u>6,538,291</u>	<u>5,057,005</u>	<u>4,221,116</u>	<u>3,124,137</u>
Business-type activities:				
Charges for services:				
Utility	4,114,624	4,398,458	4,012,609	3,565,565
Operating grants and contributions	41,596		487,761	349,362
Total business-type activities program revenues	<u>4,156,220</u>	<u>4,398,458</u>	<u>4,500,370</u>	<u>3,914,927</u>
Total primary government program revenues	<u>\$ 10,694,511</u>	<u>\$ 9,455,463</u>	<u>\$ 8,721,486</u>	<u>\$ 7,039,064</u>
Net (expense) revenue:				
Governmental activities	\$ (5,217,069)	\$ (8,945,485)	\$ (7,503,024)	\$ (7,347,612)
Business-type activities	(663,421)	(199,415)	(427,589)	(798,051)
Total primary government net (expense) revenue	<u>\$ (5,880,490)</u>	<u>\$ (9,144,900)</u>	<u>\$ (7,930,613)</u>	<u>\$ (8,145,663)</u>

Note: Governmental Accounting Standards Board Statement No. 34 implemented during the fiscal year ended September, 30, 2003, therefore no government-wide information is presented prior to that date.

Table 2
(Page 1 of 2)

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 1,278,647	\$ 1,648,150	\$ 1,129,942	\$ 997,260	\$	\$
4,645,576	4,013,207	3,559,871	3,319,003		
1,338,798	1,455,906	1,461,246	1,416,337		
968,143	949,185	908,298	860,492		
257,455	334,786	342,723	294,493		
181,040	87,263	52,032	65,367		
8,669,659	8,488,497	7,454,112	6,952,952		
4,130,361	3,635,149	3,537,456	3,561,305		
302,266	312,753	319,698	298,928		
4,432,627	3,947,902	3,857,154	3,860,233		
\$ 13,102,286	\$ 12,436,399	\$ 11,311,266	\$ 10,813,185	\$	\$
\$ 30,382	\$ 89,357	\$ 59,007	\$ 59,911	\$	\$
1,072,680	808,234	726,167	583,627		
12,833	3,430	3,400	2,029		
1,279,813	1,216,847	1,151,260	1,110,206		
696,743	684,501	465,416	396,030		
3,092,451	2,802,369	2,405,250	2,151,803		
4,233,425	3,957,986	3,451,286	3,428,313		
14,557					
4,247,982	3,957,986	3,451,286	3,428,313		
\$ 7,340,433	\$ 6,760,355	\$ 5,856,536	\$ 5,580,116	\$	\$
\$ (5,577,208)	\$ (5,686,128)	\$ (5,048,862)	\$ (4,801,149)	\$	\$
(184,645)	10,084	(405,868)	(431,920)		
\$ (5,761,853)	\$ (5,676,044)	\$ (5,454,730)	\$ (5,233,069)	\$	\$

CITY OF LA MARQUE, TEXAS

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(Accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,357,784	\$ 3,401,897	\$ 3,197,668	\$ 2,912,427
Sales taxes	2,373,833	2,936,594	2,388,469	2,416,247
Gross receipts taxes	888,333	848,707	863,041	816,018
Hotel / Motel taxes	86,047	172,198	129,969	90,007
Other taxes	97,386	101,246	57,952	63,442
Unrestricted grants and contributions	2,221	4,074		63,473
Unrestricted investment earnings	13,523	78,228	295,480	473,411
Gain (loss) on disposal of assets				
Other revenue	305,611	692,328	408,795	148,232
Transfers	175,190	67,565	102,890	(104,736)
Total governmental activities	<u>7,299,928</u>	<u>8,302,837</u>	<u>7,444,264</u>	<u>6,878,521</u>
Business-type activities:				
Unrestricted investment earnings	3,210	42,074	110,753	129,410
Other revenue	2,514	696	11,075	185,648
Transfers	(175,190)	(67,565)	(521,475)	104,736
Total business-type activities	<u>(169,466)</u>	<u>(24,795)</u>	<u>(399,647)</u>	<u>419,794</u>
Total primary government	<u>\$ 7,130,462</u>	<u>\$ 8,278,042</u>	<u>\$ 7,044,617</u>	<u>\$ 7,298,315</u>
Change in net assets:				
Governmental activities	\$ 2,082,859	\$ (642,648)	\$ (58,760)	\$ (469,091)
Business-type activities	(832,887)	(224,210)	(827,236)	(378,257)
Total primary government net (expense) revenue	<u>\$ 1,249,972</u>	<u>\$ (866,858)</u>	<u>\$ (885,996)</u>	<u>\$ (847,348)</u>

Note: Governmental Accounting Standards Board Statement No. 34 implemented during the fiscal year ended September, 30, 2003, therefore no government-wide information is presented prior to that date.

Table 2
(Page 2 of 2)

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 2,840,318	\$ 2,461,204	\$ 2,245,048	\$ 2,211,075	\$	\$
2,461,681	2,230,748	2,217,799	1,589,965		
824,017	824,016	812,450	792,836		
50,222	55,734	27,095	28,434		
68,803	78,420	80,147	91,927		
379,188	135,922	44,655	57,630		
	(10,050)				
146,038	58,758	64,322	24,517		
121,730	71,170	20,128	(31,120)		
6,891,997	5,905,922	5,511,644	4,765,264		
144,351	78,336	37,824	63,880		
3,440	39,390	31,383	27,726		
(121,730)	(71,170)	(20,128)	31,120		
26,061	46,556	49,079	122,726		
\$ 6,918,058	\$ 5,952,478	\$ 5,560,723	\$ 4,887,990	\$	\$
\$ 1,314,789	\$ 219,794	\$ 462,782	\$ (35,885)	\$	\$
(158,584)	56,640	(356,789)	(309,194)		
\$ 1,156,205	\$ 276,434	\$ 105,993	\$ (345,079)	\$	\$



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CITY OF LA MARQUE, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table 3

Fiscal Year	Property Tax	Sales Tax	Gross Receipts Tax	Hotel / Motel Tax	Other Tax	Total
2001	\$	\$	\$	\$	\$	\$
2002						
2003	2,211,075	1,589,965	792,836	28,434	91,927	4,714,237
2004	2,245,048	2,217,799	812,450	27,095	80,147	5,382,539
2005	2,461,204	2,230,748	824,016	55,734	78,420	5,650,122
2006	2,840,318	2,461,681	824,017	50,222	68,803	6,245,041
2007	2,912,427	2,416,247	816,018	90,007	63,442	6,298,141
2008	3,197,668	2,388,469	863,041	129,969	57,952	6,637,099
2009	3,401,897	2,936,594	848,707	172,198	101,246	7,460,642
2010	3,357,784	2,373,833	888,333	86,047	97,386	6,803,383

Note:

Governmental Accounting Standards Board Statement No. 34 implemented during the fiscal year ended September, 30, 2003, therefore no government-wide information is presented prior to that date.

CITY OF LA MARQUE, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General fund				
Reserved	\$ 42,982	\$ 28,137	\$ 87,553	\$ 179,444
Unreserved	<u>2,415,615</u>	<u>2,754,701</u>	<u>2,624,739</u>	<u>2,162,233</u>
Total general fund	<u><u>\$ 2,458,597</u></u>	<u><u>\$2,782,838</u></u>	<u><u>\$ 2,712,292</u></u>	<u><u>\$ 2,341,677</u></u>
All other governmental funds:				
Reserved	\$ 4,930,814	\$4,956,628	\$ 4,988,532	\$ 5,147,178
Unreserved:				
Special Revenue Funds	<u>806,967</u>	<u>830,339</u>	<u>730,482</u>	<u>639,120</u>
Total all other governmental funds	<u><u>\$ 5,737,781</u></u>	<u><u>\$5,786,967</u></u>	<u><u>\$ 5,719,014</u></u>	<u><u>\$ 5,786,298</u></u>

Note:

Certificates of obligation totaling \$3,490,000 and \$3,750,000 were issued in the years ended September 30, 2005 and 2007, respectively. The proceeds are to be used for street and drainage improvements

Table 4

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 185,556	\$ 167,446	\$ 238,891	\$ 191,810	\$ 188,788	\$ 252,612
<u>2,274,188</u>	<u>1,674,720</u>	<u>1,458,327</u>	<u>993,291</u>	<u>595,053</u>	<u>711,821</u>
<u>\$ 2,459,744</u>	<u>\$ 1,842,166</u>	<u>\$ 1,697,218</u>	<u>\$ 1,185,101</u>	<u>\$ 783,841</u>	<u>\$ 964,433</u>
\$ 3,794,365	\$ 3,878,009	\$ 415,224	\$ 403,210	\$ 267,843	\$ 155,740
555,574	540,843	532,913	596,200	653,610	688,897
<u>\$ 4,349,939</u>	<u>\$ 4,418,852</u>	<u>\$ 948,137</u>	<u>\$ 999,410</u>	<u>\$ 921,453</u>	<u>\$ 844,637</u>

CITY OF LA MARQUE, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues				
Taxes:				
Property	\$ 3,233,671	\$ 3,530,258	\$ 3,203,177	\$ 2,975,204
Sales	2,373,833	2,936,594	2,388,469	2,416,247
Gross receipts	888,333	848,707	863,041	816,018
Other	183,433	273,444	187,921	153,449
Licenses and permits	311,364	255,882	212,546	268,421
Intergovernmental revenue	3,450,213	1,979,720	1,632,953	673,399
Charges for services	2,096,781	1,880,591	1,662,195	1,603,149
Fines and forfeitures	639,734	919,405	700,861	605,707
Investment earnings	13,011	65,486	255,526	385,126
Reimbursement from component unit	113,000	103,800	107,639	93,854
Other revenue	229,842	614,514	105,361	93,210
Total revenues	<u>13,533,215</u>	<u>13,408,401</u>	<u>11,319,689</u>	<u>10,083,784</u>
Expenditures				
Current:				
General government:	1,582,752	1,503,369	1,493,703	1,457,136
Public safety	5,118,460	5,323,225	5,508,004	4,821,812
Public works	1,846,738	3,853,191	1,611,281	1,739,410
Sanitation	1,363,696	1,295,223	1,268,398	1,065,018
Urban rehabilitation and housing	305,519	395,837	368,902	290,050
Debt service:				
Principal on long-term debt	235,696	226,063	174,682	345,401
Interest and fiscal charges	285,285	294,306	340,653	223,868
Capital outlay:				
General government		1,337	9,989	
Public safety	115,762	316,196	164,171	196,546
Public works	3,632,932	261,702	484,980	2,671,981
Total expenditures	<u>14,486,840</u>	<u>13,470,449</u>	<u>11,424,763</u>	<u>12,811,222</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(953,625)</u>	<u>(62,048)</u>	<u>(105,074)</u>	<u>(2,727,438)</u>
Other financing sources (uses)				
Transfer in	518,383	264,724	349,258	231,628
Transfers (out)	(39,675)	(64,177)	(174,624)	(44,172)
Proceeds from the disposal of assets			207,264	
Proceeds from issuance of long-term debt, net				3,750,000
Total other financing sources (uses)	<u>478,708</u>	<u>200,547</u>	<u>381,898</u>	<u>3,937,456</u>
Net change in fund balances	<u>\$ (474,917)</u>	<u>\$ 138,499</u>	<u>\$ 276,824</u>	<u>\$ 1,210,018</u>
Debt service as a percentage of noncapital expenditures	4.9%	4.0%	4.8%	5.7%

Table 5

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 2,925,715	\$ 2,474,554	\$ 2,237,288	\$ 2,253,635	\$ 2,138,063	\$ 2,065,128
2,461,681	2,230,748	2,217,799	1,589,965	1,172,970	1,206,633
824,017	824,016	812,450	792,836	793,618	790,649
119,025	134,154	107,242	120,361	127,368	156,394
203,605	158,350	140,755	113,615	90,605	47,280
488,268	502,684	435,500	365,912	378,653	385,798
1,583,328	1,224,084	1,151,260	1,110,206	1,091,164	1,047,684
588,903	649,884	585,412	470,012	316,370	389,849
303,105	97,101	26,350	34,658	38,181	96,220
82,816	89,357	59,007	59,911	50,737	41,914
292,152	244,133	97,638	56,664	107,878	73,854
<u>9,872,615</u>	<u>8,629,065</u>	<u>7,870,701</u>	<u>6,967,775</u>	<u>6,305,607</u>	<u>6,301,403</u>
1,242,516	1,527,317	1,088,775	918,144	881,701	846,718
4,511,025	3,859,833	3,381,168	3,107,561	2,797,286	2,476,738
1,243,538	1,346,103	1,347,499	1,243,217	1,305,363	1,136,505
958,372	949,185	908,298	860,492	787,813	798,300
257,455	334,786	342,723	294,493	278,919	279,565
292,054	244,275	224,769	216,383	251,856	274,520
214,161	39,690	53,984	66,291	79,317	94,203
	9,737		31,385		16,822
285,840	39,415	32,409	235,131		78,144
335,429	74,024	123,339	117,718		448,578
<u>9,340,390</u>	<u>8,424,365</u>	<u>7,502,964</u>	<u>7,090,815</u>	<u>6,382,255</u>	<u>6,450,093</u>
<u>532,225</u>	<u>204,700</u>	<u>367,737</u>	<u>(123,040)</u>	<u>(76,648)</u>	<u>(148,690)</u>
71,101	51,729	198,250	309,496		401,913
(55,681)	(73,619)	(85,630)	(55,000)	(22,930)	(189,650)
1,020					
	3,432,853				
<u>16,440</u>	<u>3,410,963</u>	<u>112,620</u>	<u>254,496</u>	<u>(22,930)</u>	<u>212,263</u>
<u>\$ 548,665</u>	<u>\$ 3,615,663</u>	<u>\$ 480,357</u>	<u>\$ 131,456</u>	<u>\$ (99,578)</u>	<u>\$ 63,573</u>
5.8%	3.4%	3.8%	4.2%	5.2%	6.2%



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CITY OF LA MARQUE, TEXAS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Sales Tax	Gross Receipts Tax	Hotel / Motel Tax	Other Tax	Total
2001	\$ 2,065,128	\$ 1,206,633	\$ 790,649	\$ 48,185	\$ 108,209	\$ 4,218,804
2002	2,138,063	1,172,970	793,618	51,811	75,557	4,232,019
2003	2,253,635	1,589,965	792,836	45,558	74,803	4,756,797
2004	2,237,288	2,217,799	812,450	28,052	79,190	5,374,779
2005	2,474,554	2,230,748	824,016	28,434	105,720	5,663,472
2006	2,925,715	2,461,681	824,017	27,095	91,930	6,330,438
2007	2,975,204	2,416,247	816,018	55,734	97,715	6,360,918
2008	3,203,177	2,388,469	863,041	90,007	97,914	6,642,608
2009	3,530,258	2,936,594	848,707	172,198	101,246	7,589,003
2010	3,233,671	2,373,833	888,333	86,047	97,386	6,679,270

CITY OF LA MARQUE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Real Property		Personal Property	Less: Tax Exempt Real Property
	Land	Improvements		
2001	\$ 89,660,343	\$ 324,370,831	\$ 65,480,826	\$ (108,527,922)
2002	90,916,033	341,366,524	68,934,587	(109,962,540)
2003	96,715,143	346,678,679	63,940,950	(110,837,373)
2004	100,372,893	380,697,869	64,691,455	(117,174,189)
2005	106,094,630	392,875,009	83,523,116	(108,425,181)
2006	116,928,330	418,733,999	74,636,095	(112,466,032)
2007	151,422,970	466,193,004	73,323,043	(138,045,187)
2008	162,005,190	492,287,577	73,197,783	(131,876,836)
2009	176,900,600	514,169,764	72,133,999	(127,671,184)
2010	174,820,782	483,659,324	74,854,417	(126,186,600)

(1) Tax rates are per \$100 of taxable assessed value.

Source: Galveston Central Appraisal District.

Table 7

Total Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value	Assess Value as a Percentage of Actual Value
\$ 370,984,078	\$ 0.54610	\$ 370,984,078	100%
391,254,604	0.53610	391,254,604	100%
396,497,399	0.53610	396,497,399	100%
428,588,028	0.51034	428,588,028	100%
474,067,574	0.51030	474,067,574	100%
497,832,392	0.55330	497,832,392	100%
552,893,830	0.51436	552,893,830	100%
595,613,714	0.51436	595,613,714	100%
635,533,179	0.51436	635,533,179	100%
607,147,923	0.51436	607,147,923	100%

CITY OF LA MARQUE, TEXAS**PROPERTY TAX RATES - DIRECT AND OVERLAPPING* GOVERNMENTS****LAST TEN FISCAL YEARS**

Taxing Authority	2010	2009	2008	2007
Overlapping Rates:				
La Marque Independent School District	\$ 1.240000	\$ 1.240000	\$ 1.240000	\$ 1.570000
Dickinson Independent School District	1.504000	1.500000	1.430000	1.724000
Hitchcock Independent School District	1.440050	1.410050	1.121505	1.565050
Santa Fe Independent School District	1.330200	1.160000	1.160000	1.445000
College of the Mainland	0.221640	0.221640	0.227380	0.233450
County of Galveston	0.630000	0.570000	0.580000	0.589875
Public Improvement District No. 1	1.000045	1.000045	1.000045	1.000045
Galveston County Drainage District No. 2	0.063021	0.063021	0.057360	0.055740
Total	<u>\$ 7.428956</u>	<u>\$ 7.164756</u>	<u>\$ 6.816290</u>	<u>\$ 8.183160</u>
City of La Marque Direct Rates:				
Maintenance and Operations	\$ 0.407102	\$ 0.423020	\$ 0.433870	\$ 0.423510
Debt Service	0.107258	0.091340	0.080490	0.090850
Total City of La Marque Direct Rates	<u>\$ 0.514360</u>	<u>\$ 0.514360</u>	<u>\$ 0.514360</u>	<u>\$ 0.514360</u>

* Overlapping rates are those of local and county governments that apply to property owners within the City of La Marque, Texas. Not all overlapping rates apply to all City of La Marque, Texas property owners (e.g. the rates of special districts apply only to the portion of the government's property owners whose property is located within the geographic boundaries of the special district.

(1) Newly created special district.

Note:

All tax rates are per \$100 assessed valuation.

Source: Galveston Central Appraisal District

Table 8

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 1.740000	\$ 1.743000	\$ 1.730000	\$ 1.650000	\$ 1.625005	\$ 1.625010
1.751000	1.738000	1.743000	1.764000	1.747000	1.754000
1.695000	1.710000	1.710000	1.710000	1.710000	1.663600
1.570000	1.570000	1.570000	1.570000	1.510000	1.422000
0.243020	0.245250	0.263060	0.231870	0.218000	0.218000
0.625875	0.638750	0.640000	0.606300	0.553000	0.545000
1.000045 ⁽¹⁾					
0.055200	0.058800	0.058800	0.058800	0.056600	0.056273
<u>\$ 8.680140</u>	<u>\$ 7.703800</u>	<u>\$ 7.714860</u>	<u>\$ 7.590970</u>	<u>\$ 7.419605</u>	<u>\$ 7.283883</u>
\$ 0.473000	\$ 0.432400	\$ 0.427500	\$ 0.427500	\$ 0.430080	\$ 0.410000
0.080300	0.077940	0.108600	0.108600	0.116020	0.113000
<u>\$ 0.553300</u>	<u>\$ 0.510340</u>	<u>\$ 0.536100</u>	<u>\$ 0.536100</u>	<u>\$ 0.546100</u>	<u>\$ 0.523000</u>

CITY OF LA MARQUE, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2010		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-mart Stores East, Inc.	\$ 14,896,010	1	2.45%
Gulf Greyhound Partners, Ltd.	9,567,500	2	1.58%
Wal-mart Stores Texas, LP	8,184,514	3	1.35%
Texas-New Mexico Power Co.	5,806,960	4	0.96%
Southwestern Bell Telephone Co.	5,312,510	5	0.87%
Comcast of Houston, LLC	5,197,780	6	0.86%
La Marque Outlet Dev. LP	4,180,970	7	0.69%
Saltgrass 300 LTD	4,021,080	8	0.66%
Cimarex Energy Co.	3,542,966	9	0.58%
Univest - La Marque Center, LLP	3,376,990	10	0.56%
KPT Remic Loan LLC			0.00%
Hitcorp Energy Company			0.00%
Motco Trust Group			0.00%
SCTW Health Care Center, Inc.			0.00%
Innwest Hospitality Corp.			0.00%
Reliant Energy H.L. & P.			0.00%
Texas Cable Partners			0.00%
Alfred Conhagen Inc. of Texas			0.00%
	<u>\$ 64,087,280</u>		<u>10.56%</u>

(1) Taxpayer either did not exist or merged with another taxpayer, therefore taxable assessed values and ranking is not available.

(2) Taxpayer was not ranked in the top 10 of all District taxpayers.

Table 9

2001		
Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$		0.00%
15,349,710	1	4.14%
		0.00%
5,874,560	5	1.58%
6,644,080	2	1.79%
		0.00%
		0.00%
		0.00%
		0.00%
		0.00%
6,531,210	3	1.76%
5,936,270	4	1.60%
3,222,210	5	0.87%
2,723,200	6	0.73%
2,510,180	7	0.68%
2,466,100	8	0.66%
2,209,160	9	0.60%
2,138,770	10	0.58%
<u>\$ 55,605,450</u>		<u>14.99%</u>



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CITY OF LA MARQUE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL PERIODS

Table 10

Fiscal Year Ended September 30,	Total Tax Levy for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date (2)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 2,026,438	\$ 1,876,529	92.60%	\$ 127,167	\$ 2,003,696	98.88%
2002	2,096,086	1,941,944	92.65%	128,747	2,070,691	98.79%
2003	2,120,855	2,001,305	94.36%	96,470	2,097,775	98.91%
2004	2,181,758	2,061,779	94.50%	94,260	2,156,039	98.82%
2005	2,416,664	2,286,462	94.61%	97,249	2,383,711	98.64%
2006	2,753,752	2,597,962	94.34%	115,959	2,713,921	98.55%
2007	2,834,925	2,687,648	94.80%	102,989	2,790,637	98.44%
2008	3,038,861	2,896,271	95.31%	82,113	2,978,384	98.01%
2009	3,233,833	3,100,015	95.86%	57,310	3,157,325	97.63%
2010	3,105,857	2,955,648	95.16%		2,955,648	95.16%

- (1) Appraised value less exemptions equal taxable assessed value. The beginning taxable value net of adjustments times the tax rate set by City Council each fall equals the total net tax levy. The net tax levy for prior years reflects ongoing adjustments applied to that year's tax levy.
- (2) Excludes the subsequent 60 days tax collections recorded as revenue in the fund financial statements in accordance with the modified accrual basis of accounting.

CITY OF LA MARQUE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities	
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Revenue Bonds	Capital Leases
2001	\$	\$ 1,277,500	\$	\$ 12,550,000	\$
2002		1,050,000		12,060,000	
2003		850,000		11,540,000	
2004		635,000		11,000,000	
2005		3,895,000		10,440,000	
2006		3,625,000		9,925,000	
2007		7,055,000		9,390,000	
2008		6,910,000		8,835,000	
2009		6,710,000		8,155,000	244,595
2010		6,500,000		7,450,000	212,337

(1) See Table 16 for population data and personal income.

Table 11

Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 13,827,500	6.58%	\$ 1,011
13,110,000	6.23%	958
12,390,000	5.17%	906
11,635,000	4.85%	850
14,335,000	5.98%	1,048
13,550,000	5.65%	990
16,445,000	6.86%	1,202
15,745,000	6.57%	1,151
15,109,595	6.30%	1,104
14,162,337	5.57%	976

CITY OF LA MARQUE, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Table 12

Fiscal Year	Certificates of Obligation	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2001	\$ 1,277,500	\$ 136,661	\$ 1,140,839	0.31%	\$ 83
2002	1,050,000	128,298	921,702	0.24%	67
2003	850,000	240,216	609,784	0.15%	45
2004	635,000	369,339	265,661	0.06%	19
2005	3,895,000	387,551	3,507,449	0.74%	256
2006	3,625,000	418,911	3,206,089	0.64%	234
2007	7,055,000	427,028	6,627,972	1.20%	484
2008	6,910,000	438,951	6,471,049	1.09%	473
2009	6,710,000	536,546	6,173,454	0.97%	451
2010	6,500,000	703,007	5,796,993	0.95%	400

(1) See Table 7 for assessed value information.

(2) See Table 16 for population data.

CITY OF LA MARQUE, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2010

Table 13

Governmental Unit	Net Debt		Percentage Overlapping	Amount of Overlapping Debt
	Amount	As Of		
La Marque Independent School District	\$ 26,050,422	8/31/2010	82.47%	\$ 21,483,783
Dickinson Independent School District	227,804,562	8/31/2010	23.21%	52,873,439
Hitchcock Independent School District	24,643,663	8/31/2010	1.79%	441,122
Santa Fe Independent School District	57,767,444	8/31/2010	18.00%	10,398,140
College of the Mainland	439,142	8/31/2010	56.69%	248,950
County of Galveston	344,433,815	9/30/2010	39.24%	135,155,829
Public Improvement District No. 1		9/30/2010	100.00%	
Galveston County Drainage District No. 2		9/30/2010	100.00%	
	Subtotal, overlapping debt			220,601,262
	City of La Marque Direct Debt			14,162,337
	Total Direct and Overlapping Debt			\$ 234,763,599

Sources:

Amounts of debt outstanding were obtained from each of the governmental entities.

Estimation of percent overlapping derived from various sources, including information contained in "Texas Municipal Reports", published by the Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of La Marque, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for paying the debt, of each overlapping government.

CITY OF LA MARQUE, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

same number - is this correct? deg

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt Limit	\$ 73,333,452	\$ 76,320,436	\$ 72,749,055	\$ 69,093,902
Total Net Debt Applicable to Limit	<u>(5,796,993)</u>	<u>(6,173,454)</u>	<u>(6,471,049)</u>	<u>(6,654,043)</u>
Legal Debt Margin	<u>\$ 67,536,459</u>	<u>\$ 70,146,982</u>	<u>\$ 66,278,006</u>	<u>\$ 62,439,859</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	7.90%	8.09%	8.90%	9.63%

Legal debt margin calculation for fiscal year 2010

Assessed taxable value	\$ 607,147,923
Add back:	
Exempt real property	<u>126,186,600</u>
Total assessed value	<u>\$ 733,334,523</u>
Debt Limit (10% of total assessed value)	\$ 73,333,452
Debt applicable to limit:	
Total bonded debt	6,500,000
Less: Amount set aside for repayment of bonds	<u>(703,007)</u>
Total net debt applicable to limit	<u>5,796,993</u>
Legal debt margin	<u>\$ 67,536,459</u>

Note: Although there is no legal debt limit in the State of Texas, most municipal finance officers in the State hold the opinion that the opinion that the Attorney General would not approve bonded indebtedness on excess of 10 percent of assessed value.

Table 14

2006	2005	2004	2003	2002	2001
\$ 61,029,842	\$ 47,428,807	\$ 42,877,513	\$ 39,664,279	\$ 39,125,460	\$ 37,098,408
(3,197,972)	(3,476,089)	(247,449)	(475,727)	(361,758)	(330,491)
<u>\$ 57,831,870</u>	<u>\$ 43,952,718</u>	<u>\$ 42,630,064</u>	<u>\$ 39,188,552</u>	<u>\$ 38,763,702</u>	<u>\$ 36,767,917</u>
5.24%	7.33%	0.58%	1.20%	0.92%	0.89%

CITY OF LA MARQUE, TEXAS
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Table 15

Fiscal Year	Gross Operating Revenue	Operating Expenses (1)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2001	\$ 3,763,480	\$ 2,176,059	\$ 1,587,421	\$ 190,000	\$ 324,960	3.08
2002	3,778,051	2,188,502	1,589,549	210,000	319,043	3.00
2003	3,419,284	2,324,236	1,095,048	225,000	312,353	2.04
2004	3,443,461	2,348,941	1,094,520	235,000	305,040	2.03
2005	3,952,248	2,449,694	1,502,554	240,000	295,389	2.81
2006	4,211,225	2,801,233	1,409,992	475,000	288,938	1.85
2007	3,532,125	3,087,876	444,249	495,000	283,005	0.57
2008	3,995,241	3,295,669	699,572	515,000	264,559	0.90
2009	4,382,458	2,949,876	1,432,582	535,000	236,463	1.86
2010	4,081,001	3,164,192	916,809	555,000	238,243	1.16

(1) Details regarding the City's outstanding debt can be found in the notes to financial statements. Gross operating revenue does not include investment earnings. Operating expenses do not include interest or depreciation.

CITY OF LA MARQUE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Table 16

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age		School Enrollment (3)	Unemployment Rate (4)
2001	13,682	\$ 210,292,340	\$ 15,370	37.7	(2)	4,003	8.2%
2002	13,682	210,292,340	15,370	37.7	(2)	3,915	8.6%
2003	13,682	239,681,276	17,518	37.7	(2)	3,748	10.0%
2004	13,682	239,681,276	17,518	37.7	(1)	3,750	11.2%
2005	13,682	239,681,276	17,518	37.7	(1)	3,105	10.2%
2006	13,682	239,681,276	17,518	37.7	(1)	3,518	10.2%
2007	13,682	239,681,276	17,518	37.7	(1)	3,383	10.2%
2008	13,682	239,681,276	17,518	37.7	(1)	3,733	9.8%
2009	13,682	239,681,276	17,518	37.7	(1)	3,704	8.5%
2010	14,509	254,168,662	17,518	31.8	(1)	3,745	9.8%

(1) Population and median age statistics are compiled from census taken every 10 years.

(2) Estimated by the Tax Payers' Research Council and the Texas City - La Marque Chamber of Commerce.

(3) Obtained from local school district.

(4) Obtained from the Texas Workforce Commission.



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CITY OF LA MARQUE, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Table 17

Taxpayer	2010			2001 ⁽¹⁾		
	Employees	Rank*	Percentage of Principal Employers	Employees	Rank*	Percentage of Principal Employers
La Marque Independent School District	430	1	28.35%			
Wal-mart	425	2	28.02%			
Gulf Greyhound Park	230	3	15.16%			
City of La Marque	136	4	8.97%			
Farmer's Copper & Marine	100	5	6.59%			
A & A Machine	80	6	5.27%			
Conhagen	65	7	4.28%			
Associated Credit Union	34	8	2.24%			
Allied Waste Services	12	9	0.79%			
Boo's Pump Rental	5	10	0.33%			

(1) Information not readily available, due to companies not willing or able to provide this information from nine years ago.

* Ranking is optional

CITY OF LA MARQUE, TEXAS**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION****LAST TEN FISCAL YEARS**

Function	2010	2009	2008	2007
General government	22	20	20	22
Public Safety				
Police:				
Officers	28	28	28	28
Civilians	11	13	11	10
Fire:				
Firefighters and officers	22	18	18	15
Civilians	2	1	1	1
Public Works	20	21	22	21
Utility	17	18	18	17
Water and sewer	8	9	8	9
Total	<u>130</u>	<u>128</u>	<u>126</u>	<u>123</u>

Source: Various city departments

Table 18

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
21	21	18	18	18	17
28	28	28	28	28	28
9	7	7	7	7	7
18	16	13	13	13	10
1	0	0	0	0	0
23	25	25	25	25	25
17	17	18	18	18	17
8	9	9	9	9	10
<u>125</u>	<u>123</u>	<u>118</u>	<u>118</u>	<u>118</u>	<u>114</u>

CITY OF LA MARQUE, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2010	2009	2008	2007
Public safety				
Police:				
Physical arrests	1,737	1,766	1,707	1,809
Traffic violations	2,521	3,001	4,485	5,439
Calls for service	25,017	25,832	23,190	21,632
Fire:				
Number of calls answered	2,287	2,160	1,753	1,935
Inspections *	120	50	1,186	100
Public works				
Street resurfacing (miles)	0	1	5	1
Potholes repaired	2,934	3,097	7,489	1,122
Community room rentals	33	6	30	47
Park pavilion rentals	22	28	25	13
Water				
New connections	15	67	16	129
Water main breaks	396	391	370	511
Average daily consumption (thousands of gallons)	4,556	2,327	2,031	1,827
Wastewater				
Average daily sewage treatment (thousands of gallons)	4,681	2,570	1,803	1,722

Source: Various city departments.

Note: Indicators are not available for the general government or urban rehabilitation and housing functions.

(1) Information not available

* Estimated

Table 19

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
1,645	1,595	1,789	1,400	1,171	844
5,525	4,913	6,230	4,518	4,550	2,537
21,522	19,323	22,930	18,128	19,212	18,680
1,450	1,250	1,385	1,350	1,331	1,151
100	125	100	100	100	100
0				1	2
1,316	1,349	1,762	1,200	1,448	1,673
58	69	5			
17	27				
53	51	28	32	23	33
518	277	241	223	399	370
1,614	1,641	1,374	1,504	1,745	2,001
2,112	2,248	2,450	2,168	2,312	1,376

CITY OF LA MARQUE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2010	2009	2008	2007
Public safety				
Police:				
Stations	1	1	1	1
Patrol units	24	23	17	24
Fire:				
Stations	1	1	1	1
Fire trucks	4	4	4	4
Ambulances *	2	2	2	2
Public works				
Streets (miles)	90	90	90	90
Traffic signals	12	12	12	12
Water				
Water mains (miles)	180	180	180	180
Fire hydrants	432	432	432	422
Maximum daily capacity (thousands of gallons)	2,780	3,000	2,770	2,041
Wastewater				
Sanitary sewers (miles)	76	76	76	76
Maximum daily treatment capacity (thousands of gallons)	3,000	3,000	3,000	3,000

Source: Various city departments.

Note: No capital asset indicators are available for the general government or urban rehabilitation and housing functions.

* City of La Marque assumed responsibility for EMS transport during the year ended September 30, 2006.

(1) Information not available

Table 20

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
1	1	1	1	1	1
26	28	28	28	28	26
1	1	1	1	1	1
4	4	4	4	4	4
85	85	80	80	78	78
12	12	12	12	12	12
175	175	170	170	170	170
422	422	408	400	398	398
1,886	1,917	1,626	1,601	2,093	2,397
71	71	66	66	66	66
3,000	3,000	3,000	3,000	3,000	3,000



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Government Auditing Standards



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and
Members of the City Council
1111 Bayou Road
La Marque, Texas 77568-4299

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of La Marque, Texas (the "City") as of and for the year ended September 30, 2010 which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a control deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. These deficiencies are identified as items #10-01 and #10-02. A *significant deficiency*, is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Mayor and
Members of the City Council

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item #10-03.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

Closing

This report is intended solely for the information and use of the city council, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Null-Lairson, PC". The signature is written in a cursive, flowing style.

Null-Lairson, PC
Texas City, Texas
June 28, 2011

Independent Auditors' Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Honorable Mayor and
Members of the City Council
1111 Bayou Road
La Marque, Texas 77568-4299

Compliance

We have audited the compliance of City of La Marque, Texas (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

The Honorable Mayor and
Members of the City Council

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness as defined above.

Closing

This report is intended solely for the information and use of the city council, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Null-Lairson, PC". The signature is written in a cursive, somewhat stylized font.

Null-Lairson, PC
Texas City, Texas
June 28, 2011

Federal Awards Section



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CITY OF LA MARQUE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2010

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	None noted
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, #10-01& #10-02
Noncompliance material to financial statements noted?	Yes, #10-03

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None noted
Significant deficiencies identified that are not considered to be material weaknesses?	None noted
Type of auditors' report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	None noted
Identification of major programs	
Name of Federal Program or Cluster	CFDA Numbers

Emergency Watershed Protection Program

<i>Direct Award</i>	
U.S. Department of Agriculture	10.923

Section 8 Housing Assistance Program

<i>Direct Award</i>	
U.S. Department of Housing and Urban Development	14.871

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Auditee qualified as low-risk auditee?	No

CITY OF LA MARQUE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2010

II. Financial Statement Findings

Significant Deficiencies

Finding 10-01

Condition: The City does not have a centralized grant administration function. In addition, information necessary for the Schedule of Expenditures of Federal Awards (SEFA) required classification for proper presentation.

Criteria: The grant administration function should be centrally managed so that all grant resources are timely and properly recognized, accounted for and reported. This function should maintain records of all grants and potential grants including the grant's status, compliance requirements, grant funding amounts, amount of resources utilized in order to facilitate the objectives of the grant, and the names of responsible parties of the grantor and grantee. In addition, per OMB Circular A-133, the Schedule of Expenditures of Federal Awards (SEFA) should be prepared to include all federal awards, properly identify the Catalog of Federal Domestic Assistance (CFDA) numbers, and properly report the associated federal program expenditures.

Cause: The City does not have a centralized grant administration function that operates as the facilitator for its grant administration.

Effect: Not having a centralized grant administration function could result in grants being improperly accounted for and reported. In order to test awards for internal controls and compliance, auditors require complete and accurate information to determine which programs will be considered major. If not done properly, this could lead to non-compliance for federal awards.

Recommendation: The City should centralize the grant administration function by designating personnel in the finance office for this purpose. The grant administrator will be responsible for administration of grants through all phases, from the application process through completion (financial reporting). This includes being responsible for tracking the status of all current and potential grants, determine the compliance requirements and periodically assess whether or not such requirements are being met. The grant administrator would also verify accounting records with source data from the grantor, maintain a listing of grantor and grantee contacts, and other functions relating to grant administration. In addition, the grant administrator should ensure that all necessary information is included on the Schedule of Expenditures of Federal Awards.

Finding 10-02

Condition: 8 out of 22 personnel files tested did not have approval of pay rate on file

Criteria: Management is responsible for maintaining complete and accurate personnel records.

Cause: Lack of established controls over pay rate approvals and maintenance of personnel records.

Effect: Failure to maintain proper documentation of pay rates increases the likelihood that misstatements due to fraud or errors could occur and not be detected during the normal course of operations.

Recommendation: Management should implement controls to ensure that personnel records are complete and accurate and that all changes to pay rates are approved by the appropriate department head.

CITY OF LA MARQUE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2010

II. Financial Statement Findings (continued)

Compliance and Other Matters
Finding #10-03

Condition: Expenditures exceeded appropriations in the general fund for the public works department in the amount of \$146,753.

Criteria: State law mandates that expenditures not exceed appropriations at the functional level.

Cause: A federal expenditure in the amount of \$157,099 was charged to the public works department for which appropriations were not included in the budget.

Effect: Non-compliance with state law.

Recommendation: The City should implement procedures to review budget to actual comparisons prior to year end so that necessary budget amendments may be presented to council.

CITY OF LA MARQUE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2010

III. Federal Awards Findings And Questioned Costs

Compliance and Other Matters

Finding 10-04 - Reasonable Rent (Special Tests and Provisions)
Program: Section 8 Housing Assistance Program
CFDA: 14.871

Condition: 2 out of 17 participant files tested did not have documentation to support that rent to owner was reasonable at the time of initial leasing.

Criteria: The compliance requirement per the OMB A-133 requires the Public Housing Authority to determine that the rent paid to the owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent paid to the owner; and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent (FMR) in effect 60 days before the HAP contract anniversary. The Public Housing Authority must maintain records to document the basis for the determination that rent paid to the owner is a reasonable rent (initially and during the term of the Housing Assistance Payment contract).

Cause: Lack of controls and monitoring over the determination of rent reasonableness during initial leasing.

Effect: Failure to follow the compliance requirements as established in OMB Circular A-133 could result in the loss of federal funding.

Recommendation: Procedures should be developed to ensure that rent reasonableness is performed in accordance with federal program requirements and documentation of the determination should be maintained in participant files. Management should monitor the files to ensure compliance with program guidelines.

CITY OF LA MARQUE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2010

IV. Summary Schedule of Prior Audit Findings

Finding 09-01 Accounting for governmental and proprietary funds using the appropriate basis of accounting	Corrective Action Taken: Resolved. Management has established procedures to ensure that governmental and proprietary funds are accounted for using the appropriate basis of accounting.
Finding 09-02 Controls over personnel records	Corrective Action Taken: Not Resolved. See current year finding 10-02.
Finding 09-03 Control procedures over journal entries	Corrective Action Taken: Resolved. Management implemented controls over the preparation, approval and posting of journal entries.
Finding 09-04 Non-compliance with Public Funds Investment Act	Corrective Action Taken: Resolved. Investment reports are now being submitted to council on a quarterly basis by the investment officer and include all required components of the Public Funds Investment Act.
Finding 09-05 Monitoring of file documentation for compliance	Corrective Action Taken: Not Resolved. See current year finding 10-04.

CITY OF LA MARQUE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2010

V. Corrective Action Plan

Finding 10-01

Centralized grant administration/Schedule of Expenditures of Federal Awards

Response: The City agrees with the finding of centralized grant administration/Schedule of Expenditure of Federal Awards. The use of grant funding has grown considerably over the years for many departments within the City's structure. Designated staff should be responsible for gathering all departments applying for grants, and the grant sources and uses with all the pertinent information. Finance department should be included in receiving this information for correct reporting.

Estimated Date of Completion: 09/30/2011

Contact: Karen Cooper, Finance Director

Finding 10-02

Controls over personnel records

Response: Subsequent to fiscal year end, the City created a new position and hired a Director of Human Resources.

Estimated Date of Completion: Stands resolved at this time.

Contact: Karen Cooper, Finance Director

Finding 10-03

Expenditures in excess of appropriations

Response: Instance related to Hurricane Ike recovery. In the future, budget and expenditures will be reviewed prior to closing fiscal year which may require additional budget amendments.

Estimated Date of Completion: 09/30/2011

Contact: Karen Cooper, Finance Director

Finding 10-04

Monitoring of file documentation for compliance

Response: Management agrees to monitor files to ensure compliance with program guidelines. Finance department will visit with the Texas City Housing Authority on a periodic basis.

Estimated Date of Completion: 09/30/2011

Contact: Karen Cooper, Finance Director

CITY OF LA MARQUE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2010

Exhibit J-1

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
<i>Direct Program:</i>		
Emergency Watershed Protection Program	10.923	\$ 157,099
Total U.S. Department of Agriculture		<u>157,099</u>
U.S. Department of Housing and Urban Development		
<i>Direct Program:</i>		
Section 8 Housing Assistance Program	14.871	\$ 303,815
Total direct programs		<u>303,815</u>
Total U.S. Department of Housing and Urban Development		<u>303,815</u>
U.S. Department of Homeland Security		
<i>Passed through to Texas Department of Public Safety</i>		
Public Assistance Grant - FEMA Aid	97.036	90,713
Total pass through programs		<u>90,713</u>
Total U.S. Department of Homeland Security		<u>90,713</u>
Total Expenditures of Federal Awards		<u>\$ 551,627</u>

CITY OF LA MARQUE, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2010

1. **Basis of Presentation:** The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of La Marque, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
2. The City utilizes the fund types and accounting policies as detailed in Note I of notes to the financial statements.

Special revenue funds – These funds are established to account for federally-financed or expenditures legally restricted for specified purposes. Generally, any unused balances are returned to the grantor at the close of specified project periods. Project accounting is utilized to maintain integrity for the various sources of funds.

The Section 8 Housing Assistance Program is accounted for in a Special Revenue Fund. Expenditures for this program are not specifically attributable to the Federal revenue source and are shown on this schedule in an amount equal to revenue for balancing purposes only.

3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. Within this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for governmental fund types. This basis of accounting recognized revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded in the accounting period in which the fund liability is incurred, if measurable.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

4. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement (June 2010).
5. During Fiscal year 2010, the Federal Emergency Management Agency (FEMA) de-obligated project worksheets, causing the City to reimburse FEMA in the amount of \$192,321, of which the entire amount was reimbursed to the City from the State (Texas Department of Transportation).